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Supplement 9 to WAS-31

North America and Oceania

World Agriculture Regional Supplement

Review of 1982 and Outlook for 1983

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ABSTRACT

North America and Oceania's agricultural sectors are economically depressed. Farm incomes declined in 1982, and little improvement is expected in 1983. Agriculture in these regions is highly commercialized and depends on trade. Since general business conditions at home and abroad have been sluggish, commodity prices, especially for grains, have been weak. Also, large supplies of grains, oilseeds, and livestock products continue to overhang world markets. Reactions of individual countries to the current situation range from protectionistic trade policies to closer economic relations.

KEYWORDS: North America, Oceania, economic growth, agricultural production, farm income, agricultural trade.

FOREWORD

This report reviews major developments in North America and Oceania during 1982 and forecasts the outlook for 1983. It describes and examines the general economies, production of crops and livestock, domestic consumption and trade, and agricultural policy developments.

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The International Economics Division's program of agricultural outlook and situation analysis and reporting includes the following regularly scheduled publications: *World Agricultural Outlook and Situation*, published quarterly; *World Agriculture Regional Supplements*, a series of 11 reports, issued annually, covering China, East Asia, Eastern Europe, Latin America, North Africa and the Middle East, North America and Oceania, South Asia, Southeast Asia, the Soviet Union, Sub-Saharan Africa, and Western Europe; *Foreign Agricultural Trade of the United States*, published bi-monthly; and *Outlook for U.S. Agricultural Exports*, published quarterly. Information on obtaining these publications is included elsewhere in this report. The division also publishes the *Food Aid Needs and Availabilities* report semiannually. For information on that publication, contact Kevin Lanagan, Economic Research Service, USDA, Room 344, 500 12th Street, SW., Washington, D.C. 20250.

We welcome any comments, suggestions, or questions about this report or other aspects of the agricultural situation in North America and Oceania. Responses should be directed to the North America-Oceania Branch, International Economics Division, Economic Research Service, USDA, Room 396, 500 12th Street, SW., Washington, D.C. 20250. Our telephone number is (202) 447-8376.

Donald Seaborg
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REVIEW OF AGRICULTURE IN 1982 AND OUTLOOK FOR 1983

SUMMARY

The United States, Canada, Australia, and New Zealand have modern, highly commercialized agricultural economies that produce wheat, rice, coarse grains, cotton, beef, lamb, and wool in excess of domestic requirements. Therefore, they are among the world's major exporters. However, the current slow economic growth worldwide has resulted in weak demand for agricultural products. Meanwhile, large or record crops of grains and oilseeds have made large supplies available for export. Consequently, crop prices have declined, and farmers' gross receipts in North America and Oceania have also fallen. At the same time, farm costs have continued to rise, although at a slower rate, and farm incomes have dropped.

The 1983 outlook is not optimistic. General business conditions in most countries are improving slower than anticipated, and only small gains are in prospect. Also, large stocks of grains, oilseeds, cotton, meat, and wool are overhanging the market. Nevertheless, there are developments that will change the picture during 1983.

The United States has a payment in kind (PIK) program for wheat, rice, corn, sorghum, and cotton that is increasing participation in acreage reduction programs. Farmers that reduce 1983 acreage beyond the regular program requirements will receive a portion of their program yield in the form of commodities. This is expected to lower planted area and begin reducing surplus stocks in the United States.

Australia has had a widespread drought in the major eastern agricultural States, which has greatly affected crops as well as livestock. Crops will be substantially smaller this season, and meat production has been temporarily boosted because of forced marketings. When normal weather eventually returns, meat output will drop as producers rebuild their herds. In the months ahead, Australian farmers will have less crops to sell in a depressed market. Thus, farm incomes will be only half as large as last year.

The United States, Canada, and Australia are major competitors in world grain markets. Together they account for three-fourths of the world's wheat trade and 70 percent of coarse grain exports. The United States is the dominant country, supplying 45 percent of the wheat shipments and 55 percent of the coarse grains in 1982. However, Canada and Australia will likely become more important competitors in the wheat market as they expand acreage and improve marketing facilities.

Canada is the second largest wheat exporter and is committed to expanding production and exports. Nearly 3 out of every 4 bushels produced are exported. Canada has additional land that can be planted to wheat, but

further growth in production will depend mainly on improving yields. While transportation has been a restraint on exports in the past, this bottleneck is being overcome with additional freight cars and a break from the traditional Crow's Nest Pass Freight Rate Agreement. Canada has been a reliable supplier of high-quality wheat, and it continues to capitalize on this sales strategy. Also, Canada has developed bilateral long-term agreements with several important grain and oilseed importers.

Wheat exports are fundamental to Australian agriculture, accounting for 20 percent of total farm exports in recent years. There is a substantial amount of improved pastureland that can be converted to wheat; however, yields are low and are limited by dry conditions in the major wheat-growing States. Nevertheless, Australia, like Canada, has promoted long-term export agreements.

North America and Oceania make up a large part of the world's beef trade. While these countries account for only 20 percent of the cattle on farms, they make up about 30 percent of trade. The production systems are substantially different among the countries. The North American countries specialize in grain-fed production because of large supplies of feed grains and consumer preference for very tender beef. Oceania, on the other hand, tends more toward less intensive, grass-fed operations that make maximum use of abundant forage supplies. Surprisingly, the world's largest beef producer, the United States, is also the largest beef importer. U.S. demand for manufacturing grade beef has been so great that substantial quantities have been imported from Australia and New Zealand for many years.

A substantial part of the lamb and mutton trade originates in Oceania. New Zealand is the world's largest exporter of lamb and mutton, and Australia is second. These countries also excel in wool production and exports. As with beef, the United States is a major importer of these products.

The countries included in this report all support a world trade system that is relatively free of trade barriers. However, efforts to enhance such trade are difficult and complex. For example, the Closer Economic Relations Agreement between Australia and New Zealand took 3 years of intensive negotiations. Because world markets are depressed, many countries are tending toward greater protectionism and/or expansion of exports. However, trade-related activities may have an impact on third-party countries. In particular, Canada, Australia, and New Zealand long have been concerned about EC policies and more recently about various U.S. actions to protect market shares.

UNITED STATES

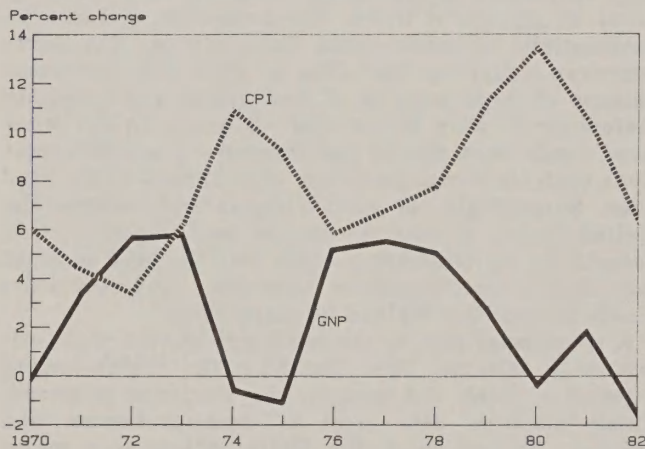
Economic Recovery About To Begin

The United States, along with most other nations, has suffered from slow economic growth during the past year. However, a U.S. recovery may be under way this spring. Nevertheless, it may be moderate by historical standards because of sluggish investment and low export demand. Counterbalancing these market-depressing factors, U.S. consumer demand for agricultural products should begin to increase, especially in the second half of the year.

In real terms, the gross national product (GNP) declined nearly 2 percent in 1982, with basic industries being hit the hardest. On the other hand, the emerging service industries continued growing, despite the current recession. Unemployment rose during the year, averaging above 10 percent in the fall. In contrast, unemployment ran about 6 or 7 percent in the late 1970's.

One of the favorable results of the recession has been a dramatic slowing in the rate of inflation. As recently as 1979, expansion in the Consumer Price Index averaged above 13 percent for the entire year. In 1982, the gain averaged 6 percent, and in recent months, it has been running 3 or 4 percent.

U.S. Gross National Product and Consumer Price Index



Interest rates have also come down and are likely to be the chief impetus to recovery. Lower interest rates have led to a turnaround in housing and general construction. Sales and production of autos and other consumer durables are also picking up in response to the lower interest rates, which are forecast to average 3 or 4 percentage points below 1982. As indicated earlier, lackluster investment and export demand will slow the recovery. Real GNP and disposable personal income are projected to average only about 2 percent higher this year.

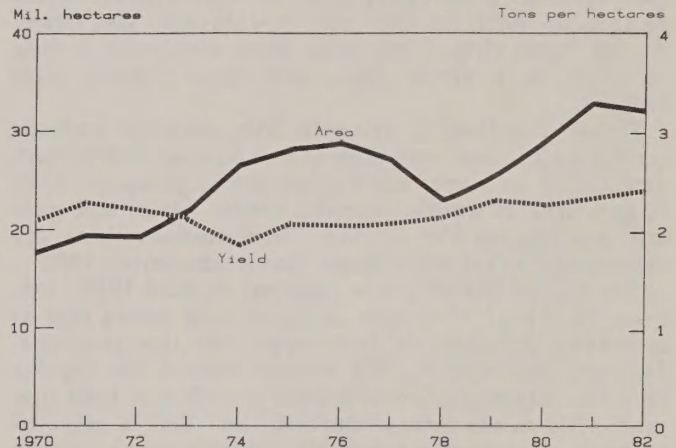
Unemployment may not drop much below 10 percent in 1983, which would keep downward pressure on wages. Gains in productivity during early stages of the recovery will also help restrain unit labor costs, the major determinant of underlying inflation. The Consumer Price Index is expected to increase about 4 percent, much less than in 1982.

Large 1982 Crops, Lower Farm Prices

U.S. crop production trended upward in the 1970's, and during the second half of the decade, little or no land

was held out of production under Government programs. Available cropland was needed to keep up with increases in demand. Strong world economies and the desire of many developing countries to increase protein consumption boosted U.S. exports of most crops. In addition, domestic use rose moderately during the period. However, as economic activity slowed worldwide and the dollar strengthened against most other currencies, foreign demand for U.S. farm products fell. Domestic use also weakened. Meanwhile, U.S. crops were favored by good growing conditions, and yields have been high. Production rose to a record in 1981 and then increased another 3 percent in 1982.

United States: Wheat Area and Yield



Stocks began to build during 1981/82, and prices weakened. Government programs reduced 1982 planted acreage, but favorable growing conditions led to larger production for most major field crops. As a result, supplies of grains, oilseeds, and cotton are large this season. Farm prices dropped below support levels during the 1982 harvest, but they have recovered somewhat since.

At the end of 1980/81, feed grain stocks stood at 35 million metric tons, but by the end of the current season, they may top 110 million. In 2 years, wheat stocks will have gone from less than a billion bushels to more than 1.5 billion. Cotton stocks will have tripled. Since there has been little increase in use, stocks-to-use ratios have jumped.

The United States is bearing the burden of excess grain stocks; stocks in other countries have not increased during the past couple of years. U.S. grain stocks made up 35 percent of the world total in 1980/81, but by the end of the current season, they will rise to nearly 60 percent. Meanwhile, cotton stocks will account for 29 percent of world stocks later this year, up from 12 percent 2 years ago.

1982 Meat Output Declines

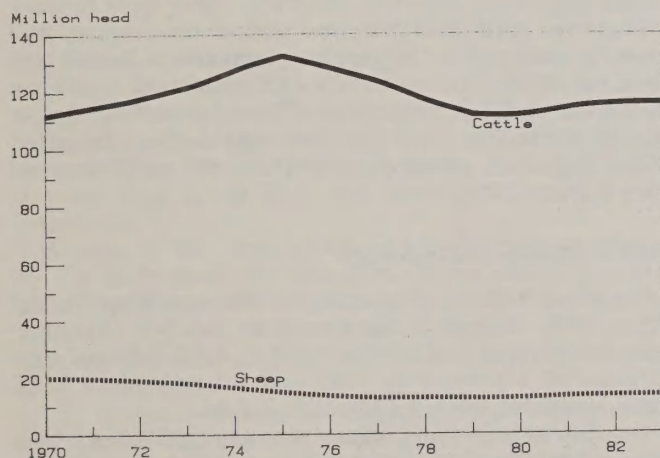
Low profits in 1981 discouraged hog producers, and they cut production sharply in 1982, offsetting small increases in beef and broilers. Pork output fell 10 percent, with steady year-to-year reductions throughout the year. Beef production was down nearly 2 percent in the first half but rose about 3 percent in the second, as more cattle were marketed from feedlots. Broiler output was

up 1 percent, much less than in 1981. Gains in milk production averaged almost 2 percent, but fewer eggs were produced.

Reduced meat supplies helped increase prices of cattle and hogs, but prices of broilers, eggs, and milk declined. The rise in hog prices was substantial, reflecting the sharp drop in production. Rising unemployment and only a slight increase in consumers' disposable income dampened the demand for meat.

While lower feed costs in 1982 helped hold down total production costs for livestock and poultry producers, many other uncertainties relating to cash flow problems, interest rates, and total farm performance figured heavily in production decisions. Livestock producers at times sold breeding stock to maintain cash flow. As a result, the cattle inventory declined slightly, after rising for only 3 years. Pork producers continued to reduce farrowings even though profits were sharply higher. They paid off old debts and maintained cash flow with their hog operations.

United States: Cattle and Sheep Inventories



Less Acreage in 1983

Acreage reduction programs were put in place for 1983 crops in an effort to reduced excessive supplies and lower budget outlays. The programs included a regular acreage reduction program, a paid diversion program, and a payment-in-kind (PIK) program that offers farmers a commodity in return for reducing acreage. With average weather in 1983, the program likely will alter the supply/demand balance later this year and in 1984.

Provisions of the various acreage reduction programs encouraged large-scale participation. Therefore, the planted acreage of program crops will drop substantially, and the decrease in production could be significant.

However, the huge surpluses of grains and cotton built up over the past couple of seasons may not disappear entirely, because only a slight increase in domestic and foreign demand is expected.

1983 Meat Production About Steady

Lower pork production this winter offset increases in the output of beef and broilers, and total meat production held about steady. Lower feed costs encouraged cattle feeders to increase feedlot placements last summer and fall, and on January 1, 1983, there were 14 percent more animals on feed than a year earlier. These cattle will likely cause a bulge in beef supplies in the first half, but second-half production will fall as fed cattle marketings and the slaughter of nonfed cattle trail a year earlier. With higher returns, pork producers have increased spring farrowings, and pork output will be up a little this year.

Broiler output may increase 2 to 3 percent as feed costs and pork supplies remain low. Milk production will continue to increase, but year-to-year gains may disappear by late in the year.

Livestock prices are expected to rise this year, as total production of red meat and poultry rises somewhat while consumer demand for meat picks up along with the general economy.

Farm Income Falls

Crop prices declined sharply in 1982 and offset the increase in the volume of crop marketings. This held cash receipts for crops about steady. Livestock receipts, on the other hand, increased slightly. However, production expenses continued to rise, but at a slower pace because of lessening inflationary pressures. Net farm income declined to nearly \$20 billion, down from about \$25 billion the previous year. The off-farm income of farmers increased somewhat, but the disposable personal income of the farm population declined about 5 percent.

Lower prices and incomes are affecting the farm sector in other ways as well. In 1981, real estate values declined slightly for the first time in many years and then fell further last year. Non-real estate assets increased, but total liabilities also rose. As a result, total farm-sector equity declined in 1982, and the debt-to-equity ratio increased moderately.

The financial aspects of farming have become much more closely tied to developments in the general economy in recent years. Farmers have begun to make decisions about an individual farm enterprise in terms of the financial health of the entire operation. For example, slow responses to higher hog prices reflect this thinking. As the general economies of the United States and other countries pick up, and as the huge crop stockpiles are worked down, farm prices and incomes will rise. Nevertheless, this situation may take a year or so to fully develop. (Donald Seaborg)

CANADA

Economic Recession Persists

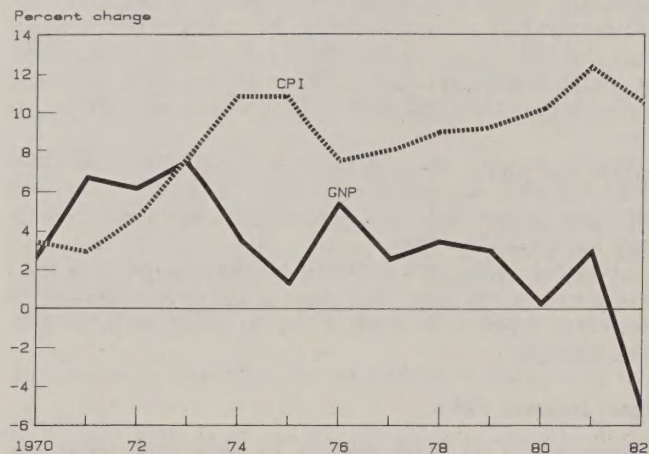
After a dismal 1982 that saw economic output fall by about 5 percent, the best Canada can hope for in 1983 appears to be a period of transition that will clear the way for a stronger recovery in 1984.

Over the past 10 years, Canada's growth rate was exactly in the middle of the big-seven countries—Japan,

Note: All monetary units in this section are in Canadian dollars.

France, United Kingdom, West Germany, Italy, the United States, and Canada. But, in the recession of 1982, Canada fell to the bottom of the group when hit by its worst 12-month period since the Great Depression. The rate of inflation, goaded mainly by the rapid runup on energy prices, has been double the rate in the United States. Interest payments on Canada's growing debt are taking 25 cents from every dollar of Federal income. The budgetary deficit for fiscal 1982 now is officially posted at \$26 billion. On a per capita basis, this exceeds the worrisome deficit in the United States.

Canada: Gross National Product and Consumer Price Index

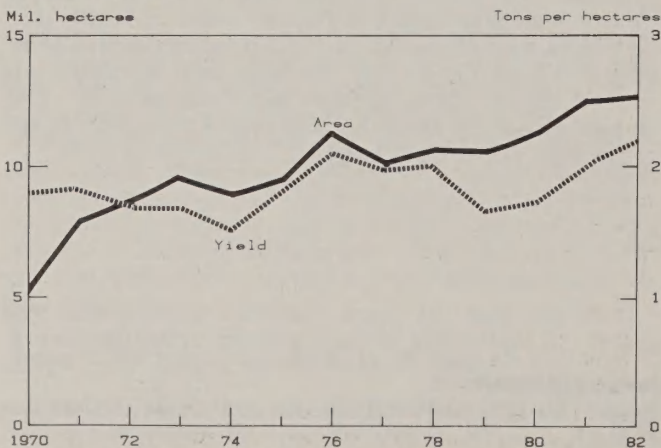


Unemployment, which is running 2 percent higher than in the United States, is a real concern. Many of the country's key industries—pulp and paper, lumber, metal mining, and steel—are hurting badly from uncertain markets and from increased international competition. The Trudeau government has talked with leaders of the 10 provincial governments about taking steps to stimulate economic growth, but the country has scant room to maneuver because of the already oversized projected budget deficit.

Grain Crop Hits Record

Canadian production of the major grains and oilseeds in 1982 is estimated at nearly 58 million tons, up 8 percent from the 1981 record. Increased planted area and record or near-record yields in the prairie provinces contributed to this alltime high. A late August frost had

Canada: Wheat Area and Yield



only a limited impact on yields, but it did lower the average quality of spring wheat and rapeseed.

Wheat production totaled 27.6 million tons, up 11 percent from 1981 and 44 percent above the 1972-81 average. Four to five million tons of this wheat is graded "feed wheat" because of the frost damage. However, supplies of high-quality wheat remain adequate to meet domestic and export demand.

Coarse grain production came to 26.6 million tons, averaging 26 percent more than in the previous 10-year period. Major oilseed output consisted of 2.1 million tons of rapeseed, 0.75 million of flaxseed, and 0.86 million of soybeans. Average production of these oil crops during 1972-81 was below 3 million tons.

Cattle Feeders See Better Profits

Slightly improved prices in 1982, along with lower feed costs, created the best returns for livestock feeders since early 1979. Federally inspected cattle slaughter rose 1.8 percent, but reduced carcass weights left beef output virtually the same as a year earlier. During the fall, as declining interest rates were bringing down feedlot carrying costs, slaughter-cattle weights moved above a year earlier.

Inspected calf slaughter continued to average well above a year earlier. In part, the increases reflected poor economic conditions in the cow-calf sector and possibly a slowdown in dairy production. The most telling sign of economic trouble was the cow and heifer slaughter, which began an upward pattern in 1981 and increased even more in 1982.

Pork Supplies Remain High

Canadian hog slaughter has not changed significantly since 1980. Inspected hog slaughter reached an unprecedented high of 13.2 million head in 1980, followed by a decrease of 1 percent in 1981 and 2.5 percent in 1982, when slaughter totaled 12.9 million head.

Hog prices recorded a strong recovery in 1982, particularly after the first quarter. The national weighted-average price for the year was up \$13.50 per cwt—more than \$22 per hog. The price advance was due primarily to the stronger trend in U.S. prices, resulting from lower U.S. supplies, and to the strength of export demand. The Japanese and U.S. ban on pork imports from Denmark contributed to increased Canadian exports and the higher prices of 1982. Canada's competitive position has also been aided by the strong U.S. dollar and by subsidies to Canadian producers from the Federal and provincial governments.

Outlook

Since grain and oilseed output set records in 1981 and 1982 in the United States as well as in Canada, North American supplies of these crops have become highly burdensome. Among the five major world exporters of wheat, only Australia, because of its drought-reduced crop, will be restricting wheat exports. Competition among the other four exporters will be keen. A form of competition that has begun to assume sizable proportions is the use of agricultural export credit subsidies. And, when credits are offered as an extra incentive to trade, commodity prices will ratchet downward as surely as if the commodity were offered at a lower price.

Grains Take the Lion's Share of Exports

Canadian exports of grains during the current year will earn about \$7 billion, and other agricultural products will add another \$2.5 billion. The dominance of grains is due to the large volume being exported, rather than to prices, which are depressed. This year's prices are down more than 25 percent from 2 years earlier, when stocks and production were low. To improve prices, a sustained world economic recovery or poor harvest will be needed. A small U.S. crop would help Canadian farmers, since the United States accounts for more than two-thirds of world feed grain trade and almost half the wheat trade. The market outlook for food grains appears stronger than for feed grains because of the impact of current economic conditions and uncertainty over the future development of meat consumption.

Although the prospect for longer term growth in world wheat trade remains good, a leveling off is expected in 1982/83, as the market reflects the large supplies of the last 2 years. However, trade with developing countries appears to be growing at least as rapidly as in the 1970's.

With the current glut, Canada's wheat stocks will increase 2.3 million tons to 11.8 million by the end of the current crop year. With the world facing surpluses and soft demand due to the recession, low prices are continuing. Prices are forecast to average \$200 to \$210 a ton for No. 1 CWRS 13.5 protein wheat at the Lakehead or West Coast—5 percent lower than last year.

Barley prices are projected to decline by as much as 19 percent (to as low as \$100 a ton at the ports) because of a world feed grain glut and uncertain Soviet buying intentions.

Because of the large amount of feed wheat brought on by the early frost, the Canadian Wheat Board has been scurrying abroad for customers. Among other possible markets, board officials have traveled to drought-stricken Australia in the hope of selling that country some feed grains.

The rapeseed outlook for the current marketing year is also bleak. Exports are predicted to fall 20 percent to slightly more than 1 million tons. Japan is buying some of its rapeseed in Europe because of uncertainty whether Canada will be able to provide enough in the top grades.

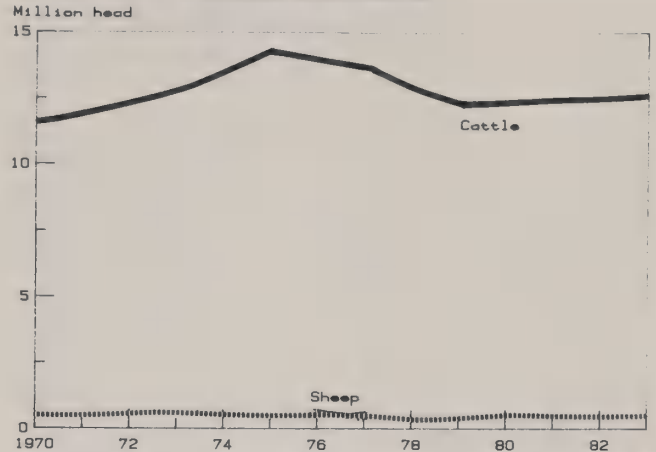
As a result of developments in rapeseed and barley prices, estimates are that acreage seeded to 1983 wheat may actually increase 3 to 5 percent, despite poor prices. By 1983/84, grain and oilseed prices should begin to strengthen, returning to the 1981/82 average.

Beef Output Continues Large

This year's beef production may average near 1982's. Because of lower feed and interest costs, fed beef output may average above 1982, but a reduction in nonfed slaughter is expected. Major price variations through 1982 in the North American cattle market are adding uncertainty to future prices. While lower total meat supplies are expected during the first half of 1983, economic conditions in North America will be the key factor influencing cattle prices.

Hog marketings during the first half of 1983 are expected to continue averaging close to a year earlier, but they may increase some during the second half of the year. Reduced farm inventories in the United States, together with ample supplies of low-priced feed, indicate continued favorable profits for hog producers in both countries.

Canada: Cattle and Sheep Inventories



Agricultural Income Drops

Lower grain prices indicate that grain producers in Canada (just as in the United States) should brace for another low-income year. On the prairies, where most of the grain is produced, Alberta's net farm income is expected to drop about 17 percent from the small positive income experienced in 1982. Saskatchewan's farm income will drop another 14 percent, while Manitoba will experience a 6-percent further decline in 1983. Total net income for farmers in all of Canada is predicted to be only \$3.7 billion, compared with \$3.8 billion in 1982, \$4.8 billion in 1981, and \$3.1 billion in 1980.

In the face of high interest rates and weak grain prices, land values have begun an abrupt slump. The 15- to 20-percent decrease in the value of farm land involved in 1982 sales could cause a problem, especially for farmers who mortgaged land in the 1970's. Moderately to highly leveraged operators could find it difficult to negotiate for sufficient operating capital at reasonable rates of interest because the value of their security is uncertain.

The poor income outlook is also bad news for businesses that sell farm supplies on the prairies. Sales of fertilizer, pesticides, and farm machinery will decline further this year. The impact will be particularly severe on the farm equipment business, which has been hanging on for months hoping for a more buoyant market.

Agricultural Trade

During the 1981/82 crop year, Canada exported a record 27.8 million tons of grains, oilseeds, and wheat flour. That year's movement represented an increase of 4.8 million tons from 1980/81. Individual records were established for wheat, durum wheat, barley, and rye.

Exports of grains and oilseeds from Western Canada from August 1 to December 31, 1982—nearly 12 million tons—were running ahead of a year earlier. Wheat exports were up 1.3 million tons. Apparently, Canada is drawing considerable benefit from the Soviet rebuff of the United States, which began with the grain embargo in early 1980. The Soviets are proving that they do not depend solely on the United States for food.

Beef exports for 1982 are placed at 145 million pounds, up about 9 percent from a year earlier. Imports totaled approximately 130 million, resulting in a positive net trade balance. In 1983, the demand-supply situation is

Table 1.—Canada: total grain, oilseed, and wheat flour exports

Commodity	1971/72 to	1980/81	1981/82
	1980/81 10-year average		
Thousand tons			
Wheat	11,508	13,492	15,661
Durum wheat	1,676	2,075	2,310
Wheat flour	654	692	474
Oats	131	44	48
Barley	3,545	3,236	5,722
Rye	246	446	547
Flaxseed	408	449	565
Rapeseed	1,122	1,372	1,359
Corn	256	1,113	1,281
Total	19,546	22,989	27,803

Table 2.—Major importers of Canadian wheat

Destinations	1971/72 to	1980/81	1981/82
	1980/81 10-year average		
Thousand tons			
USSR	1,952	3,476	4,160
China	2,560	2,879	3,101
Poland	443	997	1,562
United Kingdom	1,330	1,397	1,361
Japan	1,375	1,333	1,336
Others	3,848	3,410	4,143
Total	11,508	13,492	15,661

such that beef import controls will probably be unnecessary. Imports are not expected to exceed 130 to 135 million pounds, and under the General Agreement on Tariffs and Trade (GATT), Canada is committed to allowing 143.6 million pounds into its domestic market.

With regard to beef exports to the United States, controls will probably not be triggered. With supplies of beef generally down, no restrictions on the American market, at least for the first two quarters of 1983, are expected.

In 1982, pork exports climbed 25 percent to 368 million pounds. Exports of live hogs, pork, and pork products accounted for the disappearance of 1 out of every 5 hogs produced in Canada. Sales to Japan rose to a record level, and shipments to the United States reached 250 million pounds. Export sales were boosted by the foot-and-mouth outbreak in Denmark, the depressed value of the Canadian dollar, and a less-than-keen demand by Canadian consumers.

A 4- to 6-percent drop in U.S. pork production is projected for 1983. For Canada, where hog output recorded a very modest decline in 1982 and may even increase in 1983, the U.S. production trend can be interpreted positively. Lower U.S. output will serve to keep prices strong, and Canadian shipments to the United States are likely to continue high.

Canadian Transportation Improves

In the latter part of the 1970's, Canada's exports of grains and oilseeds were hampered considerably by constraints in the transportation system. Even though the market for exports was strong, actual shipments are estimated to have averaged 2 million tons below potential during each of the last 3 years of the decade. In other words, with adequate transportation from western

Canada's producing areas to export terminals, overseas shipments might have been as high as 67 million tons for the 3 years, rather than the 61 million actually realized.

The capacity of the railways and other grain handlers has improved greatly over the past 3 years, because the Alberta and Saskatchewan governments, the Federal Government, and the Canadian Wheat Board together have purchased some 15,000 hopper cars (60 percent of the total grain-car fleet) and made them available for use by the two railway companies. The system managed to move nearly 23 million tons into export in the 1980/81 crop year and close to 28 million in 1981/82.

The poor economy in the past year has reduced lucrative traffic in commodities like coal, sulphur, and potash. The slack made it possible for the railways to handle more grain. But, because of the extremely low "crow" freight rates applying to grain transportation (named for the Crow's Nest Pass Freight Rate Agreement), handling grain has become a large money loser for the railways. (The last increase in rail rates was in 1925.) It is estimated that the loss this year will exceed \$200 million. But, with crow reform now being considered in Ottawa, the gap could be partly filled by a subsidy provided by the Federal Government and partly by an increase in the rates paid by producers. According to government reports, the current year will be the first in which the Government will compensate the railways for hauling the producers' grain at a loss.

Meanwhile, more Canadian grain than ever—over 15 million tons of western grain and grain products—moved through the St. Lawrence Seaway in 1982. Additionally, about 8 million tons of U.S. grain were shipped on this route. Nevertheless, 1982 U.S. shipments were down more than 3 million tons from a year earlier, and they dropped significantly from the amount of American grain usually shipped along this seaway.

The current year has been an uneventful, but successful, season on the St. Lawrence Seaway. From the beginning of the present crop year (August 1) till the seaway was closed for the winter (December 15), more than 8 million tons of western grain cleared Thunder Bay on Lake Superior, compared with about 6 million a year earlier. In contrast, on the West Coast (following last fall's shutout of workers by grain companies in response to a deliberate slowdown on the part of the workers), shipments by the Canadian Wheat Board remain about 1 million tons behind where they would have been without any interruption.

The Canadian Wheat Board has set a goal to increase the capacity of grain and oilseed handling and transportation so as to permit 30 million tons of exports a year by 1985 and 36 million by 1990.

Agricultural Policy

Two problems of uppermost concern to Canada's agricultural policymakers in early 1983 are: (1) a resolution of the Crow's Nest Pass freight rates issue and (2) the choice of whether Canada's Parliament should enact the "Canagrex" legislation designed to promote Canadian farm products in overseas markets. For both issues, the division of opinion among producer organizations within a region is often heightened by the larger problem of obtaining agreement between eastern and western Canada.

Present rail rates for carrying grain to ports for export cover only a fraction of the costs (far cheaper than U.S.

rates), and railways are losing \$350 million annually because of the artificially low rates. There is a near consensus that the crow gap (the amount needed to cover the costs not presently covered under crow rates) should be largely filled by a subsidy from the Federal Government. A bill recently introduced in Parliament calls for the Government to subsidize the freight costs, while farmers' contributions are gradually increased. By 1991, the proportion of costs paid by the grain shippers is estimated to increase from 18 percent to 57 percent; a typical farmer will see his average cost for shipping a ton of grain to its destination nearly double to \$9.35 over the next 3 years. The remainder will come from a huge infusion of government subsidies, some \$9.2 billion over the rest of the decade.

The Government also promised to spend hundreds of millions of dollars to help railroads upgrade their lines. The action is deemed critical by the Canadian National and Canadian Pacific railways to repair deteriorating western rail lines, a cost that analysts estimate at \$16.5 billion over the next 10 years.

Is Canagrex Needed?

A proposal to bring Canagrex into being as a crown corporation serving to aid agricultural exports has been debated for the greater part of a year. Arguments against the formation of this corporation usually take the approach that several existing agencies can achieve the objectives proposed for Canagrex. The resolutions passed so far would require the Federal Government to empower existing agencies, such as the Export Development and Commerce Corporation; the Canadian Commercial Corporation; the Industry, Trade and Commerce Department; and the External Affairs Department, to perform the role.

Farm group objections to the creation of this new agency come primarily from western Canadians. In the West, wheat is the important agricultural export, and it is not included under the new legislation because it continues under the sole jurisdiction of the Canadian Wheat Board. The question of whether the crown corporation will finally be authorized continues to be debated. (Pat Weisgerber)

AUSTRALIA

Economy Deteriorating

The Australian economy fared better than the members of the Organization for Economic Cooperation and Development (OECD) did as a whole during the past 3 years. However, economic conditions have recently deteriorated for the nonfarm sector, and widespread drought has harmed rural incomes. Since the worldwide recession has had a delayed impact on Australia, there is some concern that the anticipated recovery may also be slower.

Economic growth in Australia during fiscal years 1981 and 1982 registered 4- and 3-percent gains, respectively, as measured by the real gross domestic product. The economy was buoyed by increased investment in mining, and the basic metal industries followed suit by investments in transport, mainly ships and aircraft. This expansion resulted from the rise in petroleum prices. Australia has large coal deposits, and substantial increases in world demand for alternative energy products were anticipated. Nevertheless, shipments were depressed by the sluggish world economy.

Inflation continues to be a problem, and the Consumer Price Index has continued in the double-digit range. Although it is below rates of the early 1970's because of partially successful efforts to break the wage-price spiral, recent price increases in housing, transportation, and medical care have sustained the overall rise.

Unemployment has not been a problem until recently. During fiscal 1982, unemployment was only 6 percent, while at the same time employment was rising. The tightness in the supply of labor and strong unions have led to 11- to 12-percent gains in wage rates. However, the wage rates have been largely offset by retail price increases, so the pressure for higher wage settlements continues.

Both imports and exports have increased in recent years, as world prices surged. Imports, however, have risen faster than exports. The chronic deficits in the balance of payments have accelerated; however, official reserve assets continue large as substantial amounts of capital have flowed into Australia for investment in natural resources. Also, interest rates have been high, and Australia is felt to be a relatively safe place for foreign capital.

The Australian dollar declined about 5 percent last year relative to the U.S. dollar. On March 8, an additional 10-percent devaluation was announced. These reductions should tend to restrict imports while enhancing exports; the first devaluation had an impact on beef exports to the United States during 1982.

The Australian economy slipped into a recession during the last half of 1982, as world trade slowed down and

Australia: Gross Domestic Product and Consumer Price Index

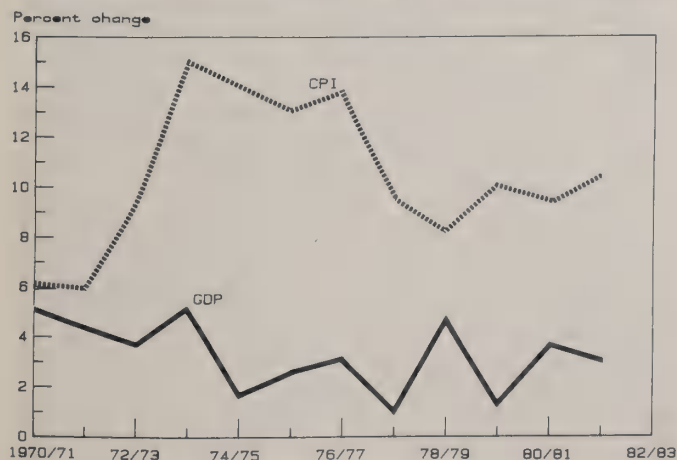


Table 3.—Australia: balance of trade and exchange rates

	Exports	Imports	Balance of trade	Exchange rates US\$/A
Billion \$A				
1979/80	18.6	15.8	2.8	1.11
1980/81	18.8	19.2	-0.4	1.16
1981/82	19.1	22.4	-3.3	1.10

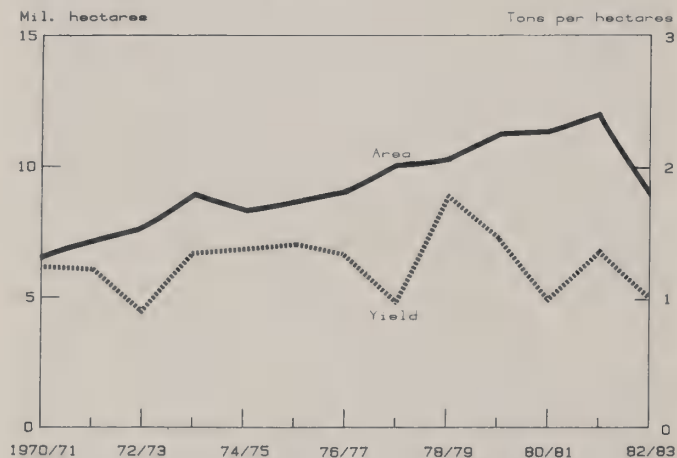
commodity prices, especially for basic metals and energy, declined. This led to the postponement of some investment projects and a sharp decline in private investment. Since the domestic economy was further weakened by an acceleration in wage rates, profitability dropped, and import demand surged. Actions taken by the Government included easing fiscal policy in the August 1982 budget, and expanding public consumption and investment in 1983, partially offsetting a weak private sector. However, unemployment is forecast to increase. Consequently, only a modest recovery is in prospect, and this outlook depends on expanded world trade and improved prices, which appear sluggish at the present time. Any efforts to stimulate the economy run the risk of inflation, which continues at a relatively high level.

1982 Agricultural Production Large

Crop production normally accounts for about half of the gross value of agriculture. Output in 1981/82 rose 25 percent from the previous year, which had been affected by a minor drought. This includes a sizable wheat crop of 16.3 million tons and a large coarse grain outturn. Also, rice, cotton, and sugar production expanded from the previous year. Vegetable and fruit output continued to be substantial.

Wheat production is the most important crop, making up about 40 percent of total crop receipts during years with good growing seasons. Wheat is well adapted to the arid climate and has been relatively more profitable than other crops. Also, farmers receive a guaranteed minimum price (GMP) upon delivery. The GMP is based upon the price received during the past two seasons plus an estimate for the current season. This provides growers with some protection from widely fluctuating world prices. The area planted to wheat has generally increased for the past 7 years.

Australia: Wheat Area and Yield



Coarse grain production also has been expanding in recent years, but at a slower pace than wheat. Barley, oats, and grain sorghum are the major coarse grains, but lesser amounts of corn, rye, and millet are also usually included in the total. During 1982, production was 6.7 million tons, 28 percent larger than the preceding year. The quantity fed to livestock amounted to 40 percent of production. Food and other uses accounted for 14 percent, including substantial quantities of malting barley. Exports were 3.2 million tons. There are no direct government price supports for coarse grains, but feed

wheat prices set by the Australian Wheat Board have a direct bearing on domestic coarse grain prices.

The area devoted to rice has expanded in recent years, as more irrigation water has been allocated to this crop. Rice production—mostly a medium-grain Calrose variety—was estimated at 613,000 tons on a milled basis.

Cotton is also a crop that has expanded at a substantial rate as more irrigation water has been made available. Production amounted to nearly 600,000 480-pound bales in 1982, a 32-percent increase from a year earlier.

A wide variety of oilseeds are grown in Australia, including sunflowerseed, soybeans, linseed, rapeseed, and safflowerseed. Cottonseed and sunflowerseed are the major oilseeds. Australia is largely self-sufficient in oilseeds, but additional quantities are needed if production shortfalls occur. The market for oilseeds in Australia is mainly determined by the demand for vegetable oils used in margarine and frying fats, which has grown slowly—about as fast as population growth.

All the major vegetables and fruits are grown in Australia. Both deciduous and citrus fruits are grown, and grapes, apples, pears, bananas, and pineapples are the most important.

Livestock production during 1982 was up moderately from the previous year. Beef and veal production surged 13 percent, and lamb and mutton output was up 2 percent.

Cattle and calf slaughter rose because of a near-record drought that forced marketings even though the cattle inventory was smaller. Lower prices and poor forage supplies discouraged ranchers and farmers from withholding cattle and calves from slaughter.

Domestic beef consumption and exports increased substantially. Exports to the United States were increased to such an extent that a voluntary restraint agreement was reached to keep imports within the legal limits of the U.S. meat import law.

Drought also increased lamb and sheep slaughter, as forage supplies were very short. Poultry production decreased as higher feed prices limited profitability. The production of pork and milk was about the same as a year earlier.

Crop Outlook Disastrous

A major drought in the Eastern States that intensified during the last half of 1982 is having a severe impact on agriculture. Crop production in 1982/83 is expected to be down 28 percent. However, meat output may decline only slightly because drought-forced marketings will push production above normal rates.

The serious and widespread drought reduced the 1982/83 wheat crop to an estimated 8.7 million tons, the smallest since 1972/73. However, western Australia had excellent growing weather, and its crop is expected to account for 66 percent of total Australian production, compared with 29 percent during the last ten seasons.

Most harvested wheat is delivered to the Australian Wheat Board, because these deliveries receive the GMP. Wheat Board receivables are estimated at 7.7 million tons, about half as large as 1981/82's 15.5 million. Since domestic use may be up slightly because of additional wheat feeding, exports will be substantially reduced, as will ending stocks.

The GMP for the 1982 crop was set at \$A141.32 a ton. This was slightly below the first advance payment for last year. However, the price of wheat used domestically, which also is set by the Wheat Board, was raised 9 per-

cent from last year. Consequently, if export prices average higher in 1982/83, the average return to growers, which is a pooled price, will be higher than the preceding year. This could set the stage for an expansion in wheat area this coming June, as growers try to recover from their current drought-reduced incomes.

Wheat exports, which normally account for about 75 percent of production, will be significantly reduced in 1982/83. Australia has long-term sales agreements with China, Egypt, Japan, the Yemen Arab Republic, Abu Dhabi, Qatar, the USSR, Iran, and Iraq, but it will probably provide only the minimum levels specified. Furthermore, the Australian Wheat Board is the only or major supplier to a number of markets. These include Oceania, Southeast Asia, and the Middle East. The board may supply as much as possible to these markets to discourage other exporters from gaining an entrance. In any event, Australia will have no problem selling the limited supply of wheat that is available.

The drought will also affect coarse grain production, but not to the same extent as wheat. Winter coarse grain output—barley and oats—will likely be substantially below last year, but the sorghum crop, which was planted in the spring, may only be moderately lower. There were some beneficial rains during the sorghum planting season, and substantial acreage was available because of the drought-reduced cereal crops.

The demand for feed grains is expected to continue strong until pasture conditions improve. With a 40-percent shortfall in production, exportable supplies may be down about 60 percent. Even if pasture conditions improve, feed-intensive livestock production may increase as cattle and sheep are withheld from the market to rebuild herds and flocks.

Oilseed production during 1982/83 is anticipated to be about 11 percent below the preceding year. Most of the decline is expected in cottonseed. The output of winter oilseeds (rapeseed, safflowerseed, and linseed) is estimated to be substantially below last year. Sunflowerseed production is expected to show a marked increase, while the soybean crop may be off 17 percent. Imports of vegetable oils may rise slightly from the previous year.

The cotton crop will also be affected by the drought because of reduced water supplies and allocations for irrigation. The production of lint is expected to drop 27 percent from the preceding year, which will be the first decline since 1975/76. Plantings for 1983 are expected to fall 9 percent, and a lower yield is forecast. New South Wales has been the hardest hit, but Queensland's crop is anticipated to be larger than the preceding year. Despite the smaller 1983 crop, cotton exports in 1982/83 may rise significantly because of the large 1982 crop.

Rice production in 1982/83 is also being restricted by the lack of irrigation water. The area planted to rice is expected to decline 30 percent from the record plantings of the previous season. Rice production is anticipated to decline by a similar amount. Australian exports are expected to be about the same as the preceding year; however, export returns will be substantially lower because the world price has declined.

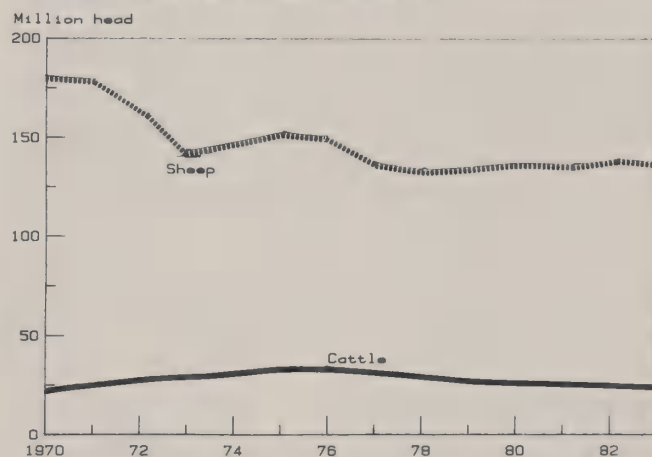
Australian sugar production has increased in recent years, initially in response to higher world prices in 1980/81. However, world production has risen, and a significant surplus now exists. Therefore, prices are depressed. For 1982/83, the gross value of Australian sugar cane production is expected to decline 25 percent from the preceding year. Nevertheless, Australia's production is forecast to increase slightly. Export entitle-

ment under the International Sugar Agreement (ISA) has not been a major restraint on overseas marketing. Also, Australia is required to accumulate ISA special stocks, so all available sugar has been accepted by the Australian Sugar Board.

Declines Characterize Livestock Sector

Cattle numbers on March 31, 1983, probably declined about 10 percent from a year ago. With a smaller herd and reduced calf crop, total slaughter and beef production are expected to fall. Slaughter may fall as much as 20 percent, and cattle numbers would still decline marginally. Domestic consumption may drop because of reduced supplies, higher retail prices, and a sluggish economy. The reduction in beef and veal supplies is expected to lead to a drop of about 10 percent in overall exports. A similar decline in exports to the United States plus the beef in bond imported from Australia the last part of 1982 are expected to raise Australian supplies close to the minimum restraint level specified by the U.S. meat import law.

Australia: Cattle and Sheep Inventories



The sheep flock is also expected to be smaller than a year ago because of drought. Sheep slaughter and mutton production in 1983 are forecast to decline about 15 percent as producers withhold sheep to rebuild flocks. Lamb consumption will likely decline, but mutton use may be about the same as last year, since it is a less expensive meat. Also, mutton exports are expected to fall because of uncertain world markets, particularly in Iran and the USSR. Live sheep exports to the Middle East will likely to continue at 6 million head. Australian wool production is estimated 2 percent lower than last season because of fewer sheep and a reduction in the fleece weight per head.

Poultry meat production is forecast to rise 3 percent in 1983. Output in 1982 was down marginally because of large supplies of competing meats and rising feed costs.

Milk production in 1982/83 is expected to decline slightly from last year. While the number of milk cows remain the same, a reduction in yield per cow is in prospect. Although fluid milk consumption will be stable, the use of manufactured dairy products will decline.

Farm Income Declines

The net value of all rural production in 1981/82 was estimated at \$A4.3 billion. The gross value of rural pro-

duction rose faster than farm costs. However, in 1982/83, the net value is forecast to decline about 50 percent.

While farm costs continue to rise, the gross value of rural output is expected to fall 11 percent. (Allen Johnson)

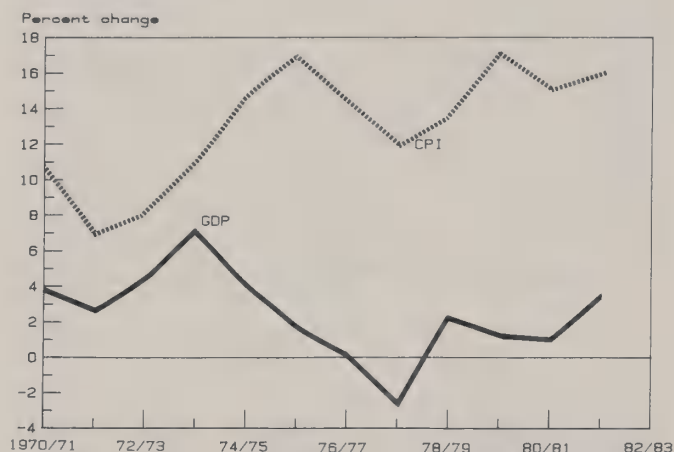
NEW ZEALAND

Economy Sluggish

The New Zealand economy has registered low or negative growth rates in recent years, and the future does not look promising. The country lacks petroleum resources and must import a wide range of capital and consumer goods to meet its needs. Consequently, the surge in world prices, particularly for oil in the mid-1970's, had a significant impact, and inflation has been above 10 percent for a number of years. The unemployment rate has been low, about 3 percent, but has been rising.

Until recently, wages were indexed upward to reflect rises in the cost of living, and the wage-price spiral had been self-generating. On June 22, 1982, a wage and price freeze was put in place. Subsequently, a tax cut was initiated in October to stimulate domestic consumption.

New Zealand: Gross Domestic Product and Consumer Price Index



New Zealand's balance of payments has shown large annual deficits. Even though exports have been larger than imports, the service account showed a large capital outflow. Moreover, in 1982, the value of imports exceeded exports.

The outlook for 1983 depends on both foreign and domestic demand. While some improvements are in prospect, they will probably not be spectacular. A strong recovery in world economic growth would be needed to bolster foreign demand, particularly for animal products. Meanwhile, domestic demand will likely be stifled by the wage and price freeze. The freeze is expected to be lifted in June, and inflation will probably resume. An 11-percent increase in the Consumer Price Index is projected for 1983. Little or no real growth in economic activity is anticipated this year.

Pastoral Agriculture

Agricultural products from ruminant animals make up nearly three-fourths of total farm production. The climate and land are best suited to growing grass, and nearly two-thirds of the land in farms is used for pas-

tures and grazing. Only 2 percent of total farm holdings are in cultivated crops.

The main field crops are wheat, barley, corn, and oats. Wheat is grown to meet domestic food requirements, and barley and corn are the main feed grains. Usually a small amount of wheat is imported (50,000 tons) from Australia. Corn and barley production usually exceed domestic use, and relatively small quantities are exported.

No substantial changes are expected in crop production during 1983. Moisture supplies are usually plentiful and timely. Crops are mainly grown in rotation with short-term pastures, so planted area will not likely change greatly.

Livestock Output Increases Slowly

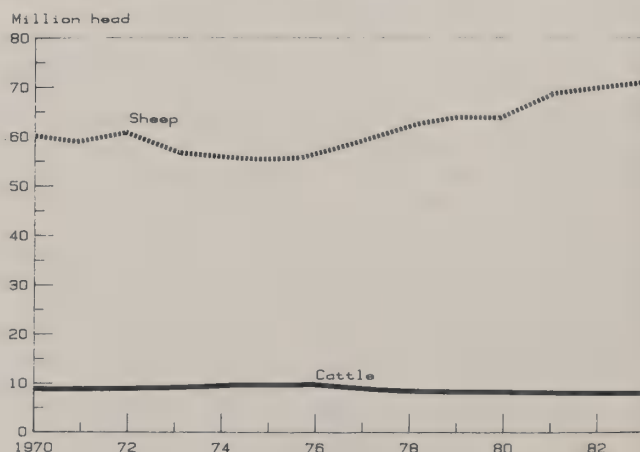
The Government's long-range economic goals call for a substantial increase in livestock production. An expansion in overseas sales would increase foreign exchange earnings and contribute significantly to overall economic growth. However, meat output during 1982 declined 1 percent. Beef and veal output was off 9 percent as slaughter declined in response to a shrinking export market. However, lamb production is estimated to have increased 5 percent, and milk production was up a small amount.

The number of dairy cows increased marginally to 2.1 million head, the result of higher farm prices. However, the number of beef cows declined slightly. Sheep and lamb numbers held about even, as increases in the lamb crop offset larger slaughter.

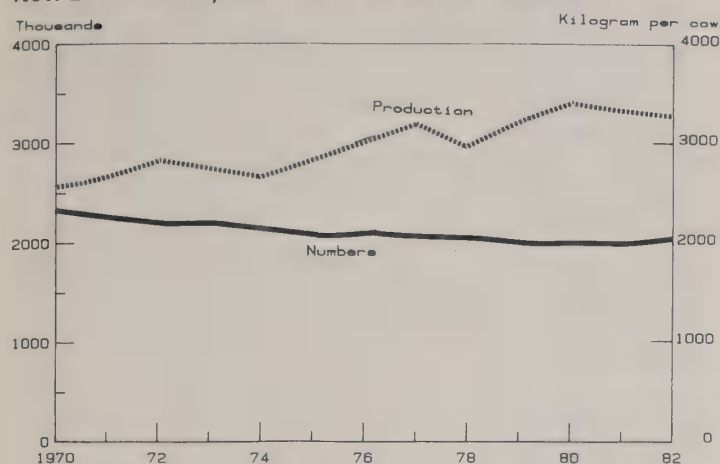
Since fluid use of milk was stable, more milk was diverted to manufactured products in 1982. Also, there was a change in the composition of dairy products. The production of butter and dry milk, two major items, declined. However, the output of cheese and casein increased, bringing domestic production more in line with changing world markets.

The outlook for livestock products in 1983 is a continuation of 1982. The large number of cattle and sheep indicate a substantial production base. The program of

New Zealand: Cattle and Sheep Inventories



New Zealand: Dairy Cow Numbers and Milk Production



guaranteed minimum prices protects farmers from substantial declines in world markets; however, the outlook for trade in agricultural products is discouraging. The Middle Eastern lamb market and Soviet purchases of mutton are uncertain. Furthermore, there are already large stockpiles of lamb, mutton, and beef in freezers.

Farm Income Declines

Farm income for 1981/82 was 11 percent below the previous year, in spite of supplementary minimum price

(SMP) payouts of \$NZ350 million. These payments were mainly assistance to meat and wool, which were experiencing weak demand in overseas markets because of the worldwide recession. Increases in gross income were more than offset by gains in farm input costs.

A decline in farm income is anticipated for 1982/83. There will likely be less assistance from the SMP scheme as world meat prices rise. Furthermore, gains in input costs are expected to again offset increases in gross farm income.

Trade Developments

During 1982, voluntary restraint agreements were reached for beef exports to the United States. Australian drought forced cattle marketings, and exports rose above levels allowed by the U.S. law during the fourth quarter. Restraint agreements were negotiated with Australia and Canada, as well as New Zealand. Yearend shipments to the United States that exceeded the restraint level were placed in bond and allowed into consumption in 1983. No restraints on beef exports to the United States are imposed at this time. However, the situation will be monitored each quarter.

Exports of lamb to Iran and mutton to the USSR have not been as large as anticipated. Also, butter export quotas to the European Community were reduced from 1981 and will likely be lower in the future. The sale of U.S. surplus butter by the New Zealand Dairy Board in 1982 was modestly successful. However, an appreciable quantity has yet to be disposed of. (Allen Johnson)

PROTECTIONISM AND U.S.-CANADIAN AGRICULTURAL TRADE

Growing Protectionism in World Trade

The era of expanding free trade, which began following World War II, is being threatened by a growing tendency toward protectionism. The move toward more protectionist trade policies has emerged as countries' exports have declined and their domestic production has been threatened by imports. Trade problems have resulted primarily from depressed world demand, which has curtailed the spectacular growth in the volume of world trade. However, patterns of trade have also shifted because of changes in comparative advantages, uneven rates of technological change, changes in the location of production, and exchange rate movements. Growing protectionist sentiment has stemmed from the realization that the expansionist export policies or highly restrictive import policies of some countries may be in part to blame for changing fortunes in trade. Many of these programs have been in place for many years and are only receiving attention now that world markets are depressed.

Unlike earlier experiences with protectionism, most countries are not eager to raise tariffs. Many of the important trading countries are signatories to the General Agreement on Tariffs and Trade (GATT), which limits their ability to protect markets by means of tariffs on imports. Thus nontariff barriers to trade—quotas, licensing and packaging requirements, export financing arrangements and subsidies, and input subsidies—are a more common means of protecting markets. In the case of Canada and the United States, both countries have historically tended to rely more on domestic policies and

programs than trade-oriented policies *per se* to promote, if not protect, their agricultural sector. Recently, however, both countries have shown a willingness to go beyond traditional measures to ensure access to export markets.

The move to a greater degree of protectionism is by no means unique to agriculture and was preceded in the United States by calls for reduced imports of automobiles, steel, textiles, and footwear. In these cases, lost markets came about more as a result of the reduced competitiveness of the domestic industry, as production shifted from countries with high labor costs and aging plants to those with lower labor costs and newer, more efficient plants. The recession merely intensified the process of decline for many of these industries. However, the friction that has arisen between countries over trade in nonagricultural products has colored farm-trade relations.

Calls from the agricultural sector for protectionist measures should not be interpreted as pleas from an aging industry seeking to protect its markets. Both the United States and Canada are relatively low-cost agricultural producers and highly competitive in world agricultural markets. However, weak demand for food and fiber resulting from a prolonged global recession, combined with record crops in North America and elsewhere, has led countries to try to maintain their share of a shrinking market for agricultural products. More protectionist trade policies are also favored by some as a means of countering the agricultural export and restrictive import policies of the European Community (EC).

Trade More Important

Trade in general and agricultural trade in particular have been of growing importance to the U.S. economy. In the post-war years, trade accounted for less than 5 percent of the U.S. gross national product (GNP), compared with much higher proportions in most other developed countries. This proportion has risen rapidly since the early 1970's, however, to the point where the values of exports and imports are each now approaching 10 percent of GNP. A similar phenomenon has occurred in Canada. Imports and exports each represented roughly 15 percent of GNP in the early 1960's, and each currently account for about one-quarter of GNP. While agricultural exports have expanded less rapidly than nonagricultural sales, they have grown steadily in both countries since 1970. Since 1970, exports of agricultural products contributed, on the average, 15 percent of the annual increase in total exports in Canada and 24 percent in the United States.

These statistics provide some evidence that both the U.S. and Canadian economies are becoming more "open"; i.e., trade now accounts for a larger part of both countries' total economic activity. As a result, their domestic economies are more exposed to changes in world trade, and their producers are more reliant on foreign markets for sales of their goods.

These statistics mirror the general expansion of world trade, which has taken place since the mid-1960's. With trade accounting for a larger part of national income, efforts at export promotion and import protection have been viewed by many countries as necessary to spur economic growth or, at a minimum, to stabilize national income. The economic consequences of stagnating or shrinking agricultural markets have pressured many of them to become more aggressive in promoting exports and protecting domestic markets. The United States and Canada have traditionally promoted free trade in their external policies, but they are finding it increasingly difficult to resist protectionist pressures from domestic groups.

Overall U.S.-Canadian Trade Large

The volume of trade between the United States and Canada is impressive. Furthermore, in total trade value, the United States and Canada are each other's most important trading partner. The proximity of the two countries; the long, relatively unguarded border; the close similarities in culture, tastes, and language; the similarities in political and economic systems; and the differences in climate, natural resources, and population density are some of the factors that account for the ease with which goods and services pass between the two countries.

Trade in agricultural products between the United States and Canada is also important, although it accounts for only about 5 percent of the total intercountry trade. The United States is by far Canada's largest supplier of agricultural products, with over half the total value of Canada's farm imports originating in the United States. Canada is an important market for U.S. agricultural exports, although the United States ships in greater volume to the EC, Japan, the Netherlands, and Mexico. The United States is also one of Canada's most important customers. As a market for Canadian agricultural exports, the United States is exceeded only by Japan, the EC, and, more recently, the USSR.

While agricultural trade between the United States and Canada is significant, these two countries are also competitors for export markets. Canada and the United States both produce and export large quantities of grains, oilseeds, and meat and animal products to third-country markets. This dual nature of U.S.-Canadian trade often complicates bilateral trade policy. Competition for markets may make efforts to reduce trade barriers between the two nations more difficult, as will the move toward increased protectionism in world trade. Moreover, poor relations between the North American neighbors in other areas may have created an atmosphere less conducive to cooperation in the agricultural trade arena.

Developments in U.S. and Canadian Trade Policies

Trade relations between the United States and Canada have been uneasy, reflecting the tension present in U.S.-Canadian political and economic relations since the late 1970's. The United States has protested Canada's efforts to further the process of "Canadianization" via the National Energy Plan, which harmed U.S. petroleum companies with holdings in Canada, and the Foreign Investment Review Act, which imposed strict conditions on new foreign investment projects in Canada. The sale of Canadian-manufactured subway cars to New York City under a subsidized financing arrangement and a dispute over transborder trucking also added to the tension between the two countries. Canada, on the other hand, points to the failure of the United States to ratify the Law of the Sea Convention, the disagreement over fishing rights in the Gulf of Maine and the possible depletion of Georges Bank scallop beds by the U.S. fishing fleet, the refusal of the U.S. Government to take action on the acid rain problem, and persistent high interest rates.

Trade relations in the area of agriculture have also been troubled. Since much of U.S.-Canada agricultural trade is in supplementary goods—items that compete with domestically produced goods—there is the potential for disputes to arise whenever the direction or volume of trade shifts, since domestic producers will be affected. A recent example of this kind of dispute involved Maine potato producers' complaints over rising imports of Canadian potatoes into the Northeast. The Maine producers sought protection from the U.S. Government, charging that Canadian potatoes were competing unfairly because of alleged subsidies and that potatoes for table use were being brought in as seed potatoes, which enjoy a higher import tariff quota.

Efforts by the United States to persuade Canada to join them in a wheat acreage reduction program in 1982 were unsuccessful. The Canadian Wheat Board has made a strong commitment to the expansion of grain exports, and stocks are less of a problem in Canada than in the United States. Canada's reluctance to cooperate may also have stemmed from resentment over the United States' expansion of grain sales to China, which Canada views as a traditional market for its grain.

Because of the U.S. grain sales suspension, the USSR is diversifying its sources of grain supplies. To this end, the USSR signed in 1981 a bilateral agreement with the Canadian Wheat Board to purchase a minimum of 25 million tons of grain over a 5-year period. Under the agreement, the Canadian Government provided Can\$1

billion in guaranteed commercial credit to finance the sale.

Canada also has long-term trade agreements for the sale of grains, and oilseeds and products with China, Brazil, Algeria, Jamaica, Mexico, Poland, and other countries. These agreements now account for about 40 percent of Canadian grain and oilseed exports. The United States currently has official grain export agreements with the USSR, China, and Mexico, but the agreements cover a smaller percentage of total grain exports. Bilateral agreements may constitute restraints to trade in the sense that they isolate the negotiated commodities from market forces and thus force trade into rigid and sometimes uneconomic patterns, as well as exclude competitors from certain markets.

As a further means of promoting Canadian agricultural exports, the Canadian Minister of Agriculture has proposed the institution of a crown corporation to promote exports. This corporation, Canagrex, would gather market intelligence and serve as clearinghouse for information on Canadian agricultural trade prospects. In addition, Canagrex could arrange financing for potential importers and participate in State trading. As such, Canagrex would give Canadian exports an advantage that U.S. products do not now have. However, the Canagrex proposal has not yet been enacted, owing in large part to resistance from producer groups who see it as yet another example of government intervention in agricultural markets.

Official export credits, once limited mainly to sales of capital goods, have become increasingly important as a means of financing exports of agricultural products. The availability of credit, sometimes at concessional rates of interest, is weighed heavily in the importer's decision, particularly in sales to developing countries or centrally planned economies. Canada makes agricultural export financing available primarily through the Canadian Wheat Board. The Wheat Board arranges loans at commercial interest rates, which are then guaranteed by the Canadian Government. Long-term loans for grains not under board jurisdiction are offered by the Export Development Corporation, a crown corporation, and more recently under the Expanded Credit Program. Further export assistance is available from the Canadian Dairy Commission, which handles exports of cheese and nonfat dry milk at prices lower than domestic support prices, and from the Canadian International Development Agency, which offers food aid to needy countries in the form of grants.

For grain exports under the P.L.-480 program, the United States has for many years offered long-term credit arrangements at concessional interest rates. Some shipments were also made as donations for relief purposes under the program. P.L.-480 has long been criticized by Canada and other food-exporting countries as displacing commercial sales and depressing world grain prices by moving surplus grain. Other export-financing assistance is provided by the Commodity Credit Corporation, which facilitates exports by providing credit guarantees to protect U.S. exporters against default.

The failure of diplomatic attempts to convince the EC and Japan to adopt freer trade policies has led the United States to become more aggressive in its promotion of agricultural exports. In fall 1982, USDA announced the blended-credit export enhancement program for agricultural products. The program provides up to \$1.75 billion in export credit in a mixture of U.S. Government-sponsored, interest-free loans and guaranteed commercial

loans. Credit is available principally to developing countries.

More recently, the United States announced an export subsidy for the sale of wheat flour to Egypt. The sale signaled the United States' resolve not to allow its agricultural exports to continue at a disadvantage to EC subsidized shipments. The Canadian Government has protested the programs, claiming that government-subsidized interest rates on food sales were used to sell wheat to traditional Canadian customers—Egypt and Morocco. The Canadian Wheat Board has claimed that this program has already been injurious to Canada's farmers by lowering the selling price of grain.

Domestic Policies Affect Agricultural Trade

Bilateral trade between the United States and Canada is more affected by domestic policies than policies focused on trade *per se*. These domestic policies include stabilization programs, commodity programs, export subsidies, and input and marketing subsidies. Input subsidies include such programs as crop insurance, producer financing programs, storage and freight assistance, and agricultural infrastructure projects. Input subsidies may constitute a trade distortion by reducing the producer's costs or risks and increasing profitability, thus fostering increased domestic production. Canada and the United States both have input subsidy programs and other policies designed to achieve domestic goals, such as stabilization of farm income, conservation of resources, or regional development. These programs may, in fact, act as a restraint to free trade between the two countries.

Freight assistance is one example of domestic policy that effectively hinders trade between Canada and the United States. In Canada, for example, grains and oilseeds for export and for eastern markets have for many years moved at the concessional Crow's Nest Pass freight rates. In addition, the movement of western feed grains from Thunder Bay to some eastern consumption areas is subsidized under the Feed Freight Assistance Program. By reducing the cost to the producer of transporting grain, these programs encourage production of export grain and feed grains in the West. However, the low rates offered under these programs also serve to encourage shipments of grain within Canada, rather than across the border. Distances between producing and consuming areas and difficult Canadian topography are such that it is often cheaper (in the absence of statutory freight rates) to move commodities across the border rather than across the continent. This is particularly true for relatively low-value, bulk commodities, such as grain, where transport costs can represent a large proportion of their value.

By keeping grain transportation costs artificially low, freight rate programs impede trade that would follow natural shipping patterns. Freight rate programs most affect trade in U.S. corn and soybeans. Although Canada imports a significant volume of both, subsidized transport costs for western feed grains and oilseeds promote the use of Canadian barley and rapeseed in eastern Canada, rather than corn and soybeans from the geographically closer U.S. Midwest.

Input subsidies, although not explicitly part of U.S. farm policy, have a significant impact on agricultural production and exports. Water projects funded by the Federal Government effectively subsidize the use of irri-

gation water by farmers, since the users of the service generally do not pay the full costs. Similarly, shippers of grains and oilseeds who use the inland waterway system enjoy subsidized transportation. Until the recent imposition of a fuel tax, the U.S. Government paid nearly all costs of construction, operation, and maintenance of the waterways. Input subsidies can distort the pattern of economic activity and trade by favoring activities that use the subsidized input and consequently distort natural comparative advantages.

Marketing boards, institutions that regulate the selling and, in some cases, the production of agricultural commodities in Canada, may also be viewed in terms of their trade-distorting effects. The most important of these, the Wheat Board, is responsible for all export sales of wheat, barley, and oats produced in western Canada. Although the board has no explicit supply-management function, its policies strongly influence how much is produced in Canada each year.

The board's principal role is to sell Canadian grain at the best possible price it can negotiate. While the price obtained must bear some relationship to the prevailing world price, the Canadian Wheat Board has the power to negotiate a better deal by competing on nonprice inducements such as quality or protein content, delivery terms, or credit. In addition, the board sometimes has an advantage in dealing with State trading agencies in importing countries, which may prefer to deal on a government-to-government basis.

The board may encourage grain production by reducing the farmer's risk through price pooling and its policy of equalizing market opportunities among producers, both of which serve to reduce price fluctuations within each year. Imports of board grains are also controlled by the Canadian Wheat Board through its power to grant import licenses. Thus, U.S. wheat, oats, and barley do not move freely across the border.

Federal marketing orders govern the sale of a number of U.S. agricultural commodities, such as fruit, vegetables, and tree nuts. Marketing orders may restrain the

free flow of domestically produced goods through minimum price regulations, quantity restrictions, or size and quality regulations. Most of the commodities under Federal marketing orders do not compete with imports from Canada. However, where there are imports of a product, the marketing order requires that imports be made subject to the same quality standards imposed on the domestic product.

Price support programs, which include loan and target prices, are important elements of U.S. farm policy. By providing a floor price for wheat, rice, feed grains, cotton, peanuts, and tobacco, these programs may stimulate production. The effect of such programs on U.S.-Canadian trade is difficult to assess, since virtually no wheat is traded between the two countries, and only a small amount of Canadian feed grains is imported. One could argue that the supply-stimulative effect of price supports has limited the opportunities for additional U.S. imports but has had a definite impact on trade with third countries.

The United States' dairy support program provides a strong stimulus to milk production. The Government purchases surplus dairy products (cheese, butter, and nonfat dry milk) and ultimately disposes of them either through domestic feeding programs or on the world market. Some of the surplus is donated under food aid programs; however, surplus butter has been sold on the world market at prices highly favorable to the buyer. Traditional exporters of dairy products argue that such exports cut into their commercial sales.

The crucial role played by domestic policy in U.S.-Canadian agricultural trade makes bilateral trade liberalization more difficult. The process of trade liberalization is further complicated by the difficulty in distinguishing between the policies that promote domestic industry and those that constitute a restraint to trade, or an export policy that serves a legitimate national self-interest and an expansionist trade policy that creates unfair competition in world markets. (Mary Anne Normile)

DEVELOPMENT AND CHARACTERISTICS OF CLOSER ECONOMIC RELATIONS BETWEEN AUSTRALIA AND NEW ZEALAND

A Closer Economic Relations (CER) agreement between Australia and New Zealand has been put in place. Signed last December, the new trade agreement replaces the New Zealand/Australia Free Trade Agreement (NAFTA) of 1966; however, the evolution of CER can be traced back to the Australian-New Zealand Trade Agreement of 1933, which gave to each country the same trade preferences each had previously granted to Britain. The CER continues the long-term policy of moving away from the protectionist arrangements of the early 1930's.

Because there has been a long period of joint and similar development in Australia and New Zealand's international trade, a study of the countries' trade history is important in understanding the place and role of the new agreement.

Evolution of Australia-New Zealand Trade Relations

A fundamental problem facing the policymakers of each nation as they move closer to the CER is that Aus-

tralia and New Zealand have specialized in the production and export of some of the same commodities. From their early days of settlement, both countries have been primary producers of meat, wool, and dairy products, with Australia adding grain to its list of major food items. Surplus products were shipped to the United Kingdom. Meat exports were given a boost by the introduction of refrigerated ships in the 1880's.

Australia, with its more varied climate and great land mass, developed not only the commodities noted, but also sugar, canned and dried fruits, and such minerals as lead, zinc, silver, gold, copper and bauxite, iron ore, nickel, and coal. New Zealand, with its few mineral resources, a mild climate, and relatively disease-free environment, concentrated its production and trade in dairy products, wool, and lamb and mutton.

Historically, both countries have strongly protected their primary and secondary industries, but for different reasons, in different ways, and at different times. When Australia became an independent country in 1901, it consolidated the tariffs of the independent "States" into a uniform customs tariff. The purpose of the tariff—which

avored the United Kingdom—was to promote local industries. Import controls were also used for the same purpose, with protection specifically aimed at textiles, apparel, footwear, motor vehicles, and steel. Import licensing, introduced at the end of World War II, applied to 42 commodity groups. To encourage the development of overseas markets, export incentives covered exporters of primary products, industrial goods, services, and technology. Subsidies and bounties had long been used in the dairy and wheat industries to encourage output or stabilize prices.

New Zealand's attitude toward tariffs did not mirror that of Australia. New Zealand initially favored free trade, but it used tariffs as a major source of revenue. Direct import controls, introduced in 1938 to aid a burdensome balance-of-payments position, effectively protected local manufacturing and stimulated industrialization. Moreover, like Australia, New Zealand used import licensing, consumer subsidies, and price stabilization schemes to promote and protect major rural industries.

Because of their close personal and cultural links with the United Kingdom, the trade patterns of Australia and New Zealand for many years were dominated by this one country. In 1940, 64 percent of Australia's exports and 47 percent of its imports were in trade with the United Kingdom. New Zealand's exports to and imports from the United Kingdom were 88 and 40 percent, respectively. However, both countries' dependence on the United Kingdom did not persist. By 1960, Australia's exports to the United Kingdom dropped from 64 to 26 percent, and New Zealand's declined from 88 to 53 percent. Japan, as Australia's third major partner, had come close to the second place EC. Together these markets took one third of Australia's exports and provided one-sixth of Australia's imports. For New Zealand, the United States and Canada were important growing markets.

Thus, Australia and New Zealand's initial dependence on the United Kingdom and their subsequent shift to other markets played an important part in the development of NAFTA. Australia not only shifted away from Great Britain but also away from its dependence on agricultural products, even though these were two-thirds of its exports at the beginning of NAFTA. Manufacturing and minerals were the rising stars of the export sector: together they amounted to about one quarter of Australian exports. New Zealand, on the other hand, held fast to its primary sector for export earnings and still relied heavily on the United Kingdom as a major buyer.

Despite the reservations of the rural interests in Australia and manufacturing interests in New Zealand, NAFTA became effective January 1, 1966. The broad objectives were to expand trade under fair competition and to progressively remove barriers to trade.

The agreement, which covered over 50 percent of Australia-New Zealand trade, called for a scheduled reduction in import duties on 990 items, with provisions to later add to this number. By 1973, another 775 had been added. The phased reduction was such that all items on the schedule were to be duty free within 8 years or less. The important commodities for New Zealand were forestry and forestry products, lamb, cheese, pork, frozen pears, beans, dried vegetables, and strawberries. Quotas were placed on New Zealand's exports of cheddar cheese and pork. For Australia, the important goods were petroleum products; lead, zinc, and other metals; copper rods and bars; and some chemicals. Not included were most dairy products and certain other food products

and manufactures produced by Australia and some manufactured items from New Zealand.

It was hoped that some goods that were then competitive with those from Britain would become even more competitive under reduced tariffs or free trade. Because of the expected growth in export demand, local industries could take advantage of economies of scale in their operations. The goods included clothing, motor vehicles, photographic film, fertilizers, and household glass and paper.

Forestry products were one of the success stories of trade expansion between Australia and New Zealand. In the period 1962/63 to 1965/66, timber, wood pulp, and newsprint averaged 2.9 percent of total New Zealand exports. They rose to an average 6.3 percent of exports in 1979/80 and 1980/81. The average value went from \$NZ21 million in the early period to \$NZ357 million in the recent period, a seventeenfold increase since NAFTA. Just under half of these products went to Australia, showing the significance of New Zealand's expansion of trade with that country.

During NAFTA, there was a vast expansion in the value of trade between the two countries. Exports from New Zealand to Australia increased nearly 23 times, from \$NZ36 million to \$NZ818 million. Exports from Australia to New Zealand rose from \$NZ135 million to \$NZ1,044 million, but this latter increase merely kept pace with all other imports. New Zealand's exports to Australia rose relative to total exports, climbing from about 5 to 14 percent. For New Zealand, total trade with all countries increased elevenfold, from \$NZ1,481 million to \$NZ11,502 million. Hence, NAFTA appears to have had a favorable effect on New Zealand's trade position. However, because domestic and export prices, incomes, and exchange rates of both countries have not been studied, the strength of NAFTA's influence on trade can not be accurately assessed.

The composition of trade shifted toward wool carpets, the forestry products already mentioned, and major appliances. For example, New Zealand's exports of wool carpets, which were worth \$NZ0.5 million in 1965/66, had risen to \$NZ30 million in 1979/80; exports of major appliances were negligible 15 years ago, but they have now become a major sales item to Australia. In general, some 10 percent of the products exported by New Zealand today were not exported at the beginning of NAFTA.

NAFTA, however, did not completely live up to expectations, especially New Zealand's. From 1966 to 1970, New Zealand's deficit balance on its current account averaged \$NZ66 million, up from the \$NZ60 million in the first 5 years prior to the agreement. Its current account deficit accelerated to \$NZ1,323 million, or 14 percent of its gross domestic product, by 1974/75. However, this was cut to \$NZ825 million 2 years later, a 38-percent decline.

The deterioration in the current account balance had three main sources. Export prices fell sharply from their peak in early 1973, then increased. Import prices rose steeply from 1973 to 1975, with oil prices accounting for 25 percent of this. The terms of trade had fallen 42 percent in 2 years, but they had been consistently below the 1950 base-year index of 100 in all but 1 of the past 26 years. Import volumes increased sharply in 1973, 1974, and early 1975. They subsequently declined but still stayed high.

With deterioration in export volumes and prices suffering under the worldwide decline in economic activity, the

situation was made worse by the drop in New Zealand's meat exports due to the import restrictions of 1974, the depressed condition of the wool and textile industries in major consuming countries, the restrictions to dairy markets, and the growth of surplus milk powders in some countries. New Zealand's response to these problems was to reduce aggregate demand, reduce imports, and expand exports. The policy mix included the following: a freeze on wages and prices, restrictions on consumer credit, a reduction in government spending, additional incentives for export producers, an increase in the price of fuels to increase domestic production and decrease consumption, and a devaluation of the New Zealand dollar by 7 percent relative to major currencies other than the Australian dollar. These policies tended to improve the current account balance from its high deficit of \$NZ1,323 million in 1974/75; the current account deficit fell steadily to \$NZ469 million in 1978/79.

New Zealand made a determined effort to diversify both its markets and products while expanding exports. The terms of trade had moved unfavorably for New Zealand, and it was vital to increase the proportion of gross national product derived from exports. Increased agricultural and labor productivity were needed for such expansion. However, with meat, milk, and wool the major agricultural export commodities, the burden of export growth had to rest as much on access to markets as it did on production costs.

By the end of 1977, two major events had taken place in Australia and New Zealand. NAFTA had been extended 10 years, and in November of that year, Australia, which suffered severe current account deficits, devalued its currency with respect to a composite currency. New Zealand followed suit, keeping its dollar equal to the Australian dollar. In view of the continuing difficulties with their respective current account deficits, the fact that some goods were left out of NAFTA, and the lack of progress in adding items to NAFTA's schedule A, New Zealand and Australia were ready for a new agreement that continued the gains made in reducing trade barriers but that included all agricultural and industrial products. A schedule that gave industries an adequate and predictable time period within which to adjust to the newly competitive conditions of free trade was also needed.

CER Policies

The stated goals of CER are trade liberalization, fair competition, and the avoidance of undue hardships on industries within each country. There are provisions to either accelerate or to delay liberalization for 22 commodities or groups. Those under the acceleration scheme include potatoes, canned corn, plastics, wool-rich carpets, appliances, and cheddar cheese. Under the delayed program are some steel products produced solely by New Zealand; certain copper products; aluminum worked plates, sheet, strip, and foil; tobacco and tobacco products; apparel; motor vehicles; canned fruit; rubber tires; and electronic goods.

There are special arrangements for wheat, sugar, dairy, citrus fruit, grapes, pineapples, and bananas, but little detail is given in the agreement. The New Zealand Wheat Board will give Australian wheat a preferred status; New Zealand is to give equal opportunity to Australian citrus and grape producers within 2 years from the date of implementation; and Australia must consider

New Zealand a co-equal source with other pineapple and banana producers. The existing regulatory arrangements governing sugar imports into each country are to be maintained.

One of the difficulties of NAFTA had been the requirement that officials in both Australia and New Zealand agree on the new items placed on the schedule for tariff and quota adjustments, and on the scheduling of tariff and quota changes. One of the motivations behind the CER is to make this process more automatic, thereby enabling long-term planning by industry. This would result in less governmental intervention at the urging of special interest groups.

Two Points of View on CER

A New Zealand Viewpoint

From New Zealand's viewpoint, the CER agreement would remove existing trade barriers in Australia and thereby gain preferential trade arrangements in relation to third countries. This is especially important where Australia maintains import restrictions on goods in which New Zealand has a comparative advantage; e.g., dairy. However, because of NAFTA or prior duty-free conditions, 80 percent of New Zealand's exports already enter Australia duty free, and the weighted average of the Australian tariff for New Zealand goods is 3 percent. Under CER, these remaining tariffs would be removed within 5 years.

Like tariffs, quantitative controls in Australia affect about 6 percent of its imports (excluding dairy), and most of these are on products where New Zealand doesn't have a comparative advantage; e.g., motor vehicles, textiles, clothing, and footwear. The quota Australia maintains on clothing is a lenient 25 percent of the market's total value. If New Zealand lifted its 3 percent quota under the CER, its competitive position may be worsened rather than strengthened.

One of the developments anticipated by New Zealand is the expansion of Australia's mineral industry, which as a major growth sector could lead to growth in the overall economy. This, the New Zealanders hope, will expand Australia's demand for New Zealand exports. However, CER will not operate in a vacuum; its changes will also be affected by other domestic economic policies in both countries. What is not known and perhaps cannot be subject to exacting analysis is the policy Australia will take toward economic growth, even if such growth would tend to favor an expansion of New Zealand's exports to Australia. Rapid expansion in the Australian export sector might force an appreciation of the Australian dollar. Furthermore, an increase in wages in the growth industry would flow through the economy, raising costs relative to those in New Zealand. The relative cost advantage, coupled with an appreciation in the Australian dollar, would favor an expansion of New Zealand exports and curtail Australian imports. However, such a scenario would not have to take place. Australia has other options to maintain the value of its dollar. Thus, despite New Zealand's closer economic relations with Australia through trade liberalization, the subsequent feedback through the Australian economy is subject to policies not under the control of CER.

Even today, the value of the Australian dollar contributes to New Zealand's continuing deficits in the balance of trade and its current account—\$NZ303 million and

\$NZ657 million, respectively. This is a serious problem: despite the 25-percent increase in the Australian dollar relative to New Zealand's since 1972, New Zealand's deficit problem persists.

Some have argued that New Zealand's invisibles deficit has increased because of interest and dividend payments on private and government borrowing. These borrowings financed deficits on the trade balance and current account, causing a sevenfold increase in overseas debt. This debt placed downward pressure on the New Zealand dollar and is the basic reason for an appreciation of the Australian dollar vis-a-vis New Zealand's.

An Australian Viewpoint

Essentially, the Australian view is that greater efficiency in agricultural production can be achieved by domestic reforms that remove intracountry trade distortions, rather than by reducing trade barriers between countries. Internal trade would then respond to undistorted relative prices, which would be more suitable for initiating reductions in international trade-distorting tariffs, quotas, etc.

A case in point is dairy. The Australian dairy farmer faces different prices, one for market milk and another for manufacturing milk. The market milk sector is high cost, and manufacturing milk low cost. Free trade would force out the low-cost producer because, in New Zealand, the dairy industry receives cost protection that is reverse of that in Australia. That is, the level of protection for New Zealand's manufacturing milk industry is higher than that in Australia, but it is below that for market milk in Australia. This raises the price of manufacturing milk relative to market milk, so free trade without domestic market adjustments means trade in high-cost New Zealand manufacturing milk for high-cost market milk in Australia. This would work as follows.

The administratively determined Australian price would attract New Zealand sellers, and the low-cost Australian producers could not counter because of a domestic levy that equalizes the price. Therefore, Australian production would be diverted to export. The net result would be for the Australian consumer to transfer a windfall gain to the New Zealand farmer, and the low-cost Australian farmer would be out of business.

Because of the many price distortion schemes common to both countries, acceptance of this viewpoint would rule out the CER arrangement in the foreseeable future. In addition, this view claims that CER is only one of many alternatives that should be considered in dealing with Australian trade problems.

CER Is Adopted

Despite Australia and New Zealand's concerns, the CER agreement was signed December 14, 1982, and became effective January 1, 1983. Though there was discussion about a common external tariff, making the CER a customs union, no such tariff arrangement was included in the agreement. The effectiveness of CER in meeting its stated goals of raising Australia and New Zealand's living standards through trade liberalization schemes will be subject to debate for some time. The internal monetary and fiscal policies of both countries and balance-of-payments decisions that complicated the measure of NAFTA's effectiveness will also complicate this same measure for CER. A long-term goal, though peripheral to intra-Tasman trade, is to form a joint link to the Pacific Basin trade area. The CER emphasis on the rationalization of industry that would yield comparative advantages could be the key element in expanding trade in this area. (Paul Johnston)

Table 4.--U.S. crops: area, yield, supply, and utilization

Item and year	: Harvested area	: Yield Tons per ha	: Begin- ning stocks	: Pro- duction	: Total supply 1/	: Exports	: Con- sumption
	: 1,000 hectares	: Tons per ha			: 1,000 tons		
Wheat							
1980	: 28.7	: 2.25	: 24.5	: 64.6	: 89.2	: 41.2	: 21.1
1981	: 32.8	: 2.32	: 26.9	: 76.2	: 103.2	: 48.3	: 23.2
1982 2/	: 31.9	: 2.39	: 31.7	: 76.4	: 108.2	: 41.5	: 23.8
1983 2/	:	:	: 42.9	:	:	:	:
Corn							
1980	: 29.5	: 5.72	: 41.0	: 168.8	: 209.9	: 59.8	: 123.8
1981	: 30.2	: 6.90	: 26.3	: 208.3	: 234.6	: 50.0	: 126.5
1982 2/	: 29.6	: 7.19	: 58.1	: 213.3	: 271.4	: 52.1	: 132.1
1983 2/	:	:	: 87.2	:	:	:	:
Sorghum							
1980	: 5.1	: 2.88	: 3.7	: 14.7	: 18.4	: 7.6	: 8.0
1981	: 5.6	: 3.98	: 2.8	: 22.3	: 25.1	: 6.3	: 11.2
1982 2/	: 5.8	: 3.69	: 7.5	: 21.4	: 28.9	: 6.6	: 8.8
1983 2/	:	:	: 13.9	:	:	:	:
Oats							
1980	: 3.5	: 1.88	: 3.4	: 6.6	: 10.1	: .2	: 7.3
1981	: 3.8	: 1.95	: 2.6	: 7.4	: 10.0	: .1	: 7.7
1982 2/	: 4.3	: 2.09	: 2.2	: 9.0	: 11.2	: .1	: 7.5
1983 2/	:	:	: 3.6	:	:	:	:
Barley							
1980	: 2.9	: 2.69	: 4.2	: 7.9	: 12.3	: 1.7	: 7.6
1981	: 3.7	: 2.81	: 3.0	: 10.4	: 13.6	: 2.2	: 8.1
1982 2/	: 3.7	: 3.08	: 3.3	: 11.4	: 14.8	: 1.2	: 8.5
1983 2/	:	:	: 5.1	:	:	:	:
Rice							
1980	: 1.3	: 3.69	: .8	: 4.8	: 5.6	: 3.0	: 2.1
1981	: 1.5	: 4.00	: .5	: 6.0	: 6.5	: 2.7	: 2.2
1982 2/	: 1.3	: 3.85	: 1.6	: 5.0	: 6.6	: 2.2	: 2.4
1983 2/	:	:	: 2.0	:	:	:	:
Soybeans							
1980	: 27.5	: 1.77	: 9.8	: 48.8	: 58.6	: 19.7	: 30.2
1981	: 26.9	: 2.02	: 8.7	: 54.4	: 63.1	: 25.3	: 30.5
1982 2/	: 28.6	: 2.17	: 7.3	: 62.0	: 69.3	: 25.9	: 32.8
1983 2/	:	:	: 10.6	:	:	:	:
Cotton							
1980	: 5.35	: .45	: .65	: 2.42	: 3.07	: 1.28	: 1.20
1981	: 5.60	: .61	: .59	: 3.41	: 4.00	: 1.44	: 1.12
1982 2/	: 4.01	: .65	: 1.44	: 2.62	: 4.07	: 1.15	: 1.16
1983 2/	:	:	: 1.76	:	:	:	:

1/ Includes imports. 2/ Estimated.

Source: USDA, World Agricultural Supply and Demand Estimates and other reports.

Table 5.--Canada's crops: area, yield, supply, and utilization

Item and year	: Harvested: area	: Yield Tons per ha	: Begin- ning stocks	: Pro- duction	: Total supply 1/	: Exports	: Con- sumption
	: 1,000 hectares	: Tons per ha			: 1,000 tons		
Wheat							
1980	: 11,098	: 1.73	: 10,721	: 19,158	: 29,879	: 16,262	: 5,181
1981	: 12,427	: 2.00	: 8,570	: 24,803	: 33,373	: 18,443	: 5,184
1982 2/	: 12,595	: 2.19	: 9,746	: 27,620	: 37,366	: 20,000	: 5,200
1983 2/	:	:	: 12,166				
Barley							
1980	: 4,634	: 2.43	: 2,006	: 11,259	: 13,274	: 3,236	: 6,835
1981	: 5,476	: 2.51	: 3,203	: 13,724	: 16,927	: 5,722	: 7,032
1982 2/	: 5,189	: 2.71	: 4,173	: 14,074	: 18,247	: 5,500	: 7,300
1983 2/	:	:	: 5,447				
Oats							
1980	: 1,515	: 2.00	: 891	: 3,028	: 3,952	: 46	: 3,147
1981	: 1,561	: 2.04	: 759	: 3,188	: 3,967	: 48	: 3,300
1982 2/	: 1,653	: 2.28	: 619	: 3,776	: 4,410	: 50	: 3,500
1983 2/	:	:	: 860				
Rye							
1980	: 310	: 1.44	: 406	: 448	: 884	: 446	: 216
1981	: 445	: 2.08	: 222	: 927	: 1,149	: 547	: 275
1982 2/	: 439	: 2.02	: 327	: 888	: 1,215	: 450	: 230
1983 2/	:	:	: 585				
Corn							
1980	: 958	: 5.67	: 394	: 5,434	: 7,184	: 1,051	: 6,050
1981	: 1,139	: 5.86	: 83	: 6,673	: 7,531	: 1,225	: 6,200
1982 2/	: 1,103	: 5.79	: 106	: 6,383	: 7,289	: 650	: 6,000
1983 2/	:	:	: 639				
Rapeseed							
1980	: 2,080	: 1.19	: 1,477	: 2,484	: 3,961	: 1,372	: 1,261
1981	: 1,402	: 1.31	: 1,328	: 1,837	: 3,165	: 1,359	: 1,134
1982 2/	: 1,717	: 1.23	: 672	: 2,114	: 2,786	: 1,141	: 1,175
1983 2/	:	:	: 470				
Soybeans							
1980	: 283	: 2.52	: 28	: 713	: 1,142	: 142	: 947
1981	: 279	: 2.18	: 53	: 607	: 1,096	: 83	: 995
1982 2/	: 364	: 2.35	: 18	: 857	: 1,200	: 125	: 1,030
1983 2/	:	:	: 45				
Flaxseed							
1980	: 554	: .80	: 587	: 442	: 1,029	: 565	: 120
1981	: 466	: 1.00	: 344	: 468	: 812	: 443	: 110
1982 2/	: 627	: 1.19	: 259	: 747	: 1,006	: 425	: 118
1983 2/	:	:	: 463				

1/ Includes imports. 2/ Estimated.

Source: USDA, FAS Agricultural Attache reports and Agriculture Canada.

Table 6.--Australia's crops: area, yield, supply, and utilization

Item and year	: Harvested: area	: Yield 1,000 Tons per ha	: Beginning stocks	: Pro- duction	: Total supply 1/	: Exports	: Con- sumption
	hectares	per ha			1,000 tons		
Wheat							
1980/81	11,283	.96	4,324	10,856	15,108	9,587	3,419
1981/82	11,880	1.37	2,174	16,330	18,504	12,122	4,278
1982/83 2/	9,000	.97	2,104	8,700	10,804	6,500	3,500
1983/84 2/			804				
Barley							
1980/81	2,451	1.09	102	2,682	2,784	1,306	1,290
1981/82	2,677	1.32	188	3,511	3,699	1,756	1,822
1982/83 2/	2,000	.87	121	1,740	1,861	400	1,368
1983/84 2/			93				
Sorghum							
1980/81	658	1.83	183	1,204	1,387	856	408
1981/82	665	1.97	123	1,311	1,434	1,050	373
1982/83 2/	800	1.38	11	1,100	1,111	390	631
1983/84 2/			90				
Oats							
1980/81	1,093	1.03	519	1,128	1,647	179	1,190
1981/82	1,389	1.17	278	1,619	1,897	122	1,549
1982/83 2/	900	.89	181	800	981	80	826
1983/84 2/			75				
Corn							
1980/81	57	3.04	71	173	251	13	148
1981/82	63	3.36	90	212	312	21	234
1982/83 2/	60	3.25	57	195	257	10	187
1983/84 2/			60				
Rice							
1980/81	104	5.01	237	521	759	468	65
1981/82	128	4.79	226	613	840	520	65
1982/83 2/	80	4.92	255	394	650	350	66
1983/84 2/			234				
Cotton							
1980/81	84	1.18	39	99	139	53	22
1981/82	104	1.30	64	135	200	81	23
1982/83 2/	95	1.04	96	98	195	98	21
1983/84 2/			76				
Sugar							
1980/81	289	11.73	555	3,389	3,944	2,655	790
1981/82	316	11.35	499	3,586	4,085	2,620	793
1982/83 2/	307	11.73	672	3,600	4,272	2,755	790
1983/84 2/			727				

1/ Includes imports. 2/ Estimated.

Source: USDA, FAS Agricultural Attache reports.

Table 7.--New Zealand's crops: area, yield, supply, and utilization

Item and year	: Harvested : area	: Yield :	: Begin- : ning : stocks	: Pro- : duction	: Total : supply 1/	: Exports	: Con- : sumption
	: 1,000 : hectares	: Tons : per ha			----- 1,000 tons -----		
Wheat	:						
1980/81	: 88	4.18	105	368	526	--	390
1981/82	: 78	3.87	136	302	503	--	370
1982/83 2/	: 85	3.76	133	320	508	--	375
1983/84 2/	:		133			--	
	:						
Barley	:						
1980/81	: 75	4.32	80	324	404	52	250
1981/82	: 99	4.03	102	399	501	100	280
1982/83 2/	: 78	4.00	121	312	433	50	250
1983/84 2/	:		133				
	:						
Oats	:						
1980/81	: 13	4.00	7	52	59	--	52
1981/82	: 14	3.79	7	53	60	--	53
1982/83 2/	: 16	3.38	7	54	61	--	54
1983/84 2/	:		7				
	:						
Corn	:						
1980/81	: 21	8.90	5	187	192	43	148
1981/82	: 24	8.25	1	198	199	23	163
1982/83 2/	: 24	8.13	13	195	208	20	175
1983/84 2/	:		13				

1/ Includes imports.

2/ Estimated.

-- = None or negligible.

Source: USDA, FAS, Agricultural Attache reports.

Table 8.--U.S. livestock: supply and utilization

Item and year	: Beginning : :inventories:	: Births :	: Total : :supply 1/:	: Slaughter:	: Exports :	: Other : dis- :appearance
	Million head					
Cattle & calves						
1981	114.3	44.8	159.8	38.2	.1	5.8
1982	115.6	44.4	161.0	39.3	.1	6.4
1983 <u>2/</u>	115.2	44.0	160.0	39.2	.1	5.4
1984 <u>2/</u>	115.3					
Sheep & lambs						
1981	12.9	8.8	21.7	6.2	--	2.5
1982	13.0	8.5	21.5	6.6	--	3.0
1983 <u>2/</u>	11.9	8.0	19.9	6.1	--	2.3
1984 <u>2/</u>	11.5					
Hogs						
1981	64.5	93.8	158.4	92.5	--	7.2
1982	58.7	84.1	143.0	82.8	--	6.7
1983 <u>2/</u>	53.5	85.2	140.0	78.3	--	7.2
1984 <u>2/</u>	54.5					

1/ Includes imports. 2/ Estimated.

-- = None or negligible.

Table 9.--U.S. meats: supply and utilization

Item and year	: Beginning : :inventories:	: Produc- : :tion :	: Imports :	: Total : :supply :	: Consump- : :tion :	: Exports :
	Million tons					
Beef & veal						
1981	.2	10.3	.8	11.3	11.1	.1
1982	.1	10.4	.9	11.4	11.2	.1
1983 <u>1/</u>	.1	10.6	.8	11.5	11.3	.1
1984 <u>1/</u>	.1					
Lamb & mutton						
1981	--	.2	--	.2	.2	--
1982	--	.2	--	.2	.2	--
1983 <u>1/</u>	--	.2	--	.2	.2	--
1984 <u>1/</u>						
Pork						
1981	.2	7.2	.2	7.6	7.3	.2
1982	.1	6.5	.3	6.9	6.6	.2
1983 <u>1/</u>	.1	6.6	.3	7.0	6.7	.2
1984 <u>1/</u>	.1					
Poultry						
1981	.2	6.9	--	7.1	6.4	.4
1982	.2	7.0	--	7.2	6.7	.3
1983 <u>1/</u>	.2	7.1	--	7.3	6.8	.4

1/ Estimated. -- = None or negligible.

Source: USDA, World Agricultural Supply and Demand Estimates.

Table 10.--Canada's livestock: supply and utilization

Item and year	: Beginning inventories:	: Births	: Total supply 1/:	: Slaughter:	: Exports	: Other dis- appearance
	Million head					
Cattle & calves						
1981	12.5	4.7	17.4	4.3	.2	.4
1982	12.5	4.6	17.2	4.4	.3	.3
1983 <u>2/</u>	12.2	4.4	16.7	4.4	.1	.2
1984 <u>2/</u>	12.0					
Sheeps & lambs						
1981	.5	.3	.8	.3	--	--
1982	.5	.4	.9	.4	--	--
1983 <u>2/</u>	.5	.4	.9	.4	--	--
1984 <u>2/</u>	.5					
Hogs						
1981	9.6	14.2	23.8	14.2	.1	.2
1982	9.3	13.8	23.1	13.8	.2	.1
1983 <u>2/</u>	9.0	14.5	23.5	14.1	.1	.2
1984 <u>2/</u>	9.1					

1/ Includes imports. 2/ Estimated.

-- = None or negligible.

Table 11.--Canada's meats: supply and utilization

Item and year	: Beginning inventories	: Produc- tion	: Imports	: Total supply	: Consump- tion	: Exports
	1,000 tons					
Beef & veal						
1981	28	1,015	80	1,123	1,028	79
1982	16	1,035	83	1,134	1,034	86
1983 <u>1/</u>	14	1,030	81	1,125	1,023	90
1984 <u>1/</u>	12					
Lamb & mutton						
1981	3	6	10	19	17	--
1982	2	7	10	19	17	--
1983 <u>1/</u>	2	8	10	20	17	--
1984 <u>1/</u>	3					
Pork						
1981	14	869	20	903	762	129
1982	12	850	14	876	682	190
1983 <u>1/</u>	4	870	15	889	684	200
1984 <u>1/</u>	5					
Poultry						
1981	32	535	28	595	557	5
1982	33	536	30	599	566	2
1983 <u>1/</u>	31	542	30	603	570	2
1984 <u>1/</u>	31					

1/ Estimated. -- = None or negligible.

Source: USDA, FAS Agricultural Attache reports.

Table 12.--Australia's livestock: supply and utilization

Item and year	: Beginning :inventories:	: Births :	: Total : supply :	: Slaughter :	: Exports :	: Other dis- : appearance
	Million head					
Cattle & calves						
1981	25.2	7.6	32.8	8.2	.1	--
1982	24.5	7.7	32.2	9.4	.1	0.7
1983 1/	22.0	7.4	29.4	7.5	.1	--
1984 1/	21.8					
Sheep & lambs						
1981	134.4	44.9	179.3	29.0	5.8	7.1
1982	137.4	44.2	181.6	29.2	5.8	10.6
1983 1/	136.0	44.7	180.7	28.6	5.8	8.2
1984 1/	138.1					
Hogs						
1981	2.4	4.2	6.6	4.2	--	--
1982	2.4	3.9	6.3	4.0	--	--
1983 1/	2.3	3.7	6.0	3.8	--	--
1984 1/	2.2					

1/ Estimated. -- = None or negligible.

Table 13.--Australia's meats: supply and utilization

Item and year	: Beginning :inventories:	: Produc- : tion :	: Imports :	: Total : supply :	: Con- : sumption :	: Exports
	1,000 tons					
Beef & veal						
1981	47	1,424	--	1,471	723	703
1982	45	1,616	--	1,661	806	810
1983 1/	45	1,340	--	1,385	620	720
1984 1/	45					
Lamb & mutton						
1981	24	519	--	543	255	261
1982	27	527	--	554	287	240
1983 1/	27	512	--	539	272	240
1984 1/	27					
Pork						
1981	3	232	--	235	231	2
1982	2	226	--	228	224	2
1983 1/	2	215	--	217	213	2
1984 1/	2					
Poultry						
1981	27	303	--	330	310	7
1982	13	277	--	290	277	4
1983 1/	9	300	--	309	296	5
1984 1/	8					

1/ Estimated. -- = None or negligible.

Source: USDA, FAS Agricultural Attache reports.

Table 14.--New Zealand's livestock: supply and utilization

Item and year	: Beginning :inventories:	: Births :	: Total : supply	: Slaughter :	: Exports :	: Other dis- :appearance
	Million head					
Cattle & calves						
1980/81	: 8.1	: 3.4	: 11.5	: 3.1	--	: 0.4
1981/82	: 8.0	: 3.3	: 11.3	: 3.2	--	: 0.2
1982/83 1/	: 7.9	: 3.2	: 11.1	: 3.0	--	: 0.3
1983/84 1/	: 7.8					
Sheep & lambs						
1980/81	: 68.8	: 48.3	: 117.1	: 41.4	--	: 5.8
1981/82	: 69.9	: 49.0	: 118.9	: 40.9	--	: 7.5
1982/83 1/	: 70.5	: 50.0	: 120.5	: 43.2	--	: 7.7
1983/84 1/	: 69.6					
Hogs						
1980/81	: .4	: .7	: 1.1	: .7	--	: --
1981/82	: .4	: .7	: 1.1	: .7	--	: --
1982/83 1/	: .4	: .7	: 1.1	: .7	--	: --
1983/84 1/	: .4					

1/ Estimated.

-- = None or negligible.

Table 15.--New Zealand's meats: supply and utilization

Item and year	: Beginning :inventories:	: Produc- :tion	: Imports :	: Total : supply	: Consump- :tion	: Exports
	1,000 tons					
Beef & veal						
1980/81	: 56	: 498	--	: 554	: 148	: 347
1981/82	: 59	: 500	--	: 559	: 146	: 353
1982/83 1/	: 60	: 457	--	: 517	: 145	: 330
1983/84 1/	: 42					
Lamb, mutton, & goat						
1980/81	: 70	: 626	--	: 696	: 95	: 470
1981/82	: 131	: 595	--	: 726	: 95	: 449
1982/83 1/	: 182	: 623	--	: 805	: 95	: 565
1983/84 1/	: 145					
Pork						
1980/81	: 2	: 39	: 1	: 42	: 40	: --
1981/82	: 2	: 40	: 2	: 44	: 42	: --
1982/83 1/	: 2	: 43	--	: 45	: 43	: --
1983/84 1/	: 2					

1/ Estimated.

-- = None or negligible.

Source: USDA, FAS Agricultural Attache reports.

Table 16.--Canada's wheat and coarse grain exports 1/

Destination	Wheat and products		Coarse grains	
	1980/81	1981/82	1980/81	1981/82
	1,000 tons			
EC				
Italy	767.1	515.1	343.7	416.9
U.K.	1,409.3	1,366.3	11.5	5.9
Other	35.5	162.5	19.4	146.0
Total	2,211.9	2,043.9	374.6	568.8
Other Western Europe	143.3	139.7	3.0	398.8
Eastern Europe				
Poland	1,090.5	1,673.6	188.5	3.3
Other	67.4	14.1	--	103.3
Total	1,158.0	1,687.7	188.5	106.6
USSR	4,311.2	5,019.1	1,977.7	4,169.5
North America				
United States	9.5	11.0	112.0	220.6
Other	27.8	154.4	--	--
Total	37.3	165.4	112.0	220.6
Caribbean	1,227.8	1,279.6	61.9	367.2
South America				
Brazil	1,284.2	1,316.9	--	--
Columbia	6.4	1.7	47.6	85.9
Other	.8	46.6	11.1	23.2
Total	1,291.4	1,365.2	58.7	109.1
Middle East				
Iran	95.5	73.2	--	123.1
Iraq	452.8	258.5	--	--
Saudi Arabia	--	--	--	89.5
Egypt	16.0	360.9	--	--
Libya	80.9	290.6	--	--
Other	139.0	125.2	--	269.0
Total	784.2	1,108.4	--	481.6
Africa				
Algeria	669.0	596.5	--	35.9
Other	177.2	242.2	--	10.0
Total	846.2	838.7	--	45.9
Asia				
Bangladesh	134.2	263.9	--	--
Japan	1,381.6	1,367.4	823.6	932.8
China	2,879.2	3,100.7	--	76.5
Other	108.3	240.8	124.2	118.4
Total	4,503.3	4,972.8	947.8	1,127.7
Other countries	.1	.1	2.5	1.8
Grand total	16,514.7	18,620.6	3,726.7	7,597.6

1/ August-July year. -- = None or negligible.

Source: Canadian Grain Commission.

Table 17.--Australian wheat and coarse grain exports 1/

Destination	Wheat and products		Coarse grains	
	1980/81	1981/82	1980/81	1981/82
	1,000 tons			
EC	23	--	9	31
Other Western Europe	--	--	--	38
Eastern Europe	--	--	--	4
USSR	2,480	2,408	391	124
South America				
Ecuador	--	--	36	27
Peru	--	--	8	24
Other	--	--	72	20
Total	--	--	116	71
Middle East				
Iraq	135	750	--	--
Iran	666	544	--	--
Kuwait	653	229	21	--
Saudi Arabia	167	122	345	606
Yemen Arab Republic	257	332	--	--
Egypt	1,789	1,575	--	--
Other	290	288	15	15
Total	3,957	3,840	381	621
Africa	177	175	20	1
Asia				
India	--	783	--	--
Pakistan	34	60	--	--
Bangladesh	133	124	1	--
Sri Lanka	172	130	--	--
Japan	781	995	880	152
Taiwan	--	--	293	22
Thailand	56	46	--	1
Malaysia	293	294	4	6
Singapore	175	51	127	323
Indonesia	495	480	--	--
China	1,421	1,361	44	104
Other	197	40	5	7
Total	3,757	4,364	1,354	615
Oceania				
Papua New Guinea	33	52	13	--
New Zealand	59	54	1	1
Fiji	57	62	3	--
Other	57	36	4	3
Total	206	204	21	4
Other countries	--	--	5	12
Grand Total	10,600	10,991	2,297	1,521

1/ July-June year. 2/ Sorghum, oats, corn, barley, and millet.

--= None or negligible. Source: Australian Bureau of Statistics.

Table 18.--U.S. exports of wheat and coarse grains 1/

Destination	Wheat and products		Coarse grains	
	1980/81	1981/82	1980/81	1981/81
	Million tons			
EC	2.5	2.5	9.3	7.4
Other W. Europe <u>2/</u>	1.2	1.3	9.0	9.8
Eastern Europe	1.2	.6	7.7	4.0
USSR	3.0	6.5	5.9	7.8
Japan	3.5	3.4	18.0	15.2
Other high-income Asia <u>3/</u>	3.6	3.3	4.7	5.9
China	8.7	8.0	.7	1.5
Other Asia <u>5/</u>	1.6	3.5	.3	.1
Middle East (W. Asia) <u>4/</u>	1.8	2.8	.7	1.5
Africa	5.4	7.4	2.4	2.7
Latin America	7.6	8.5	9.2	3.8
Canada	.1	.1	1.1	.8
Total known destinations	40.2	47.2	70.0	60.2
Unknown and residual	.1	--	.6	.2
Total	40.3	47.2	70.6	60.4

1/ Marketing year begins June 1 for wheat, barley, and oats and October 1 for corn and grain sorghum.

2/ Iceland, Norway, Finland, Switzerland, Spain, Portugal, Malta.

3/ Korea, Taiwan, Singapore, Hong Kong, Indonesia.

4/ Israel, Jordan, Lebanon, Saudi Arabia, Syria, Yemen Arab Republic, Iran, Iraq, Kuwait, Turkey, Cyprus.

5/ Pakistan, Bangladesh, Sri Lanka, Thailand, Malaysia, Philippines, India.

--= None or negligible.

Source: Historical country of destination data from USDA Export Sales Report.

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The report includes extensive tables and charts on Japanese consumption, production, and trade of beef, dairy, poultry, fish, and feed grains, including projections through 1990.

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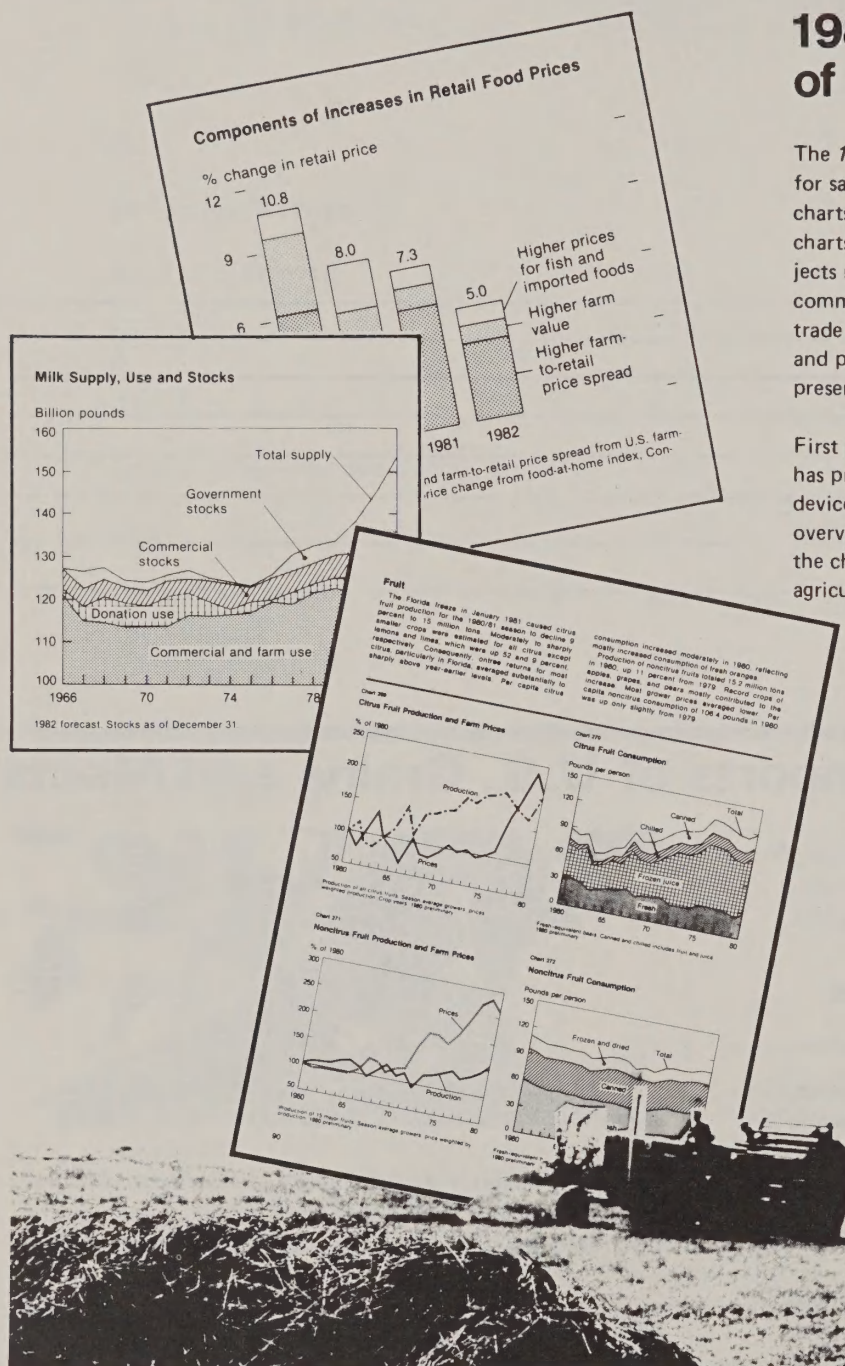
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